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RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES

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Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

28-510 O WASHINGTON : 1990

For sale by the Superintendent of Documents, Congressional Sales Office
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RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

WEDNESDAY, FEBRUARY 21, 1990.

U.S. DEPARTMENT OF AGRICULTURE

THE SECRETARY OF AGRICULTURE

WITNESSES

CLAYTON YEUTTER, SECRETARY OF AGRICULTURE
JACK C. PARNELL, DEPUTY SECRETARY OF AGRICULTURE
STEPHEN B. DEWHURST, BUDGET OFFICER

OPENING REMARKS

Mr. WHITTEN. The Committee will come to order.

Mr. Secretary, we are glad indeed to have you and your associates here.

Mr. Parnell, since you are new before the Committee, at this point, we might include your biographical sketch.

[The biographical sketch follows:]

DEPUTY SECRETARY OF AGRICULTURE JACK C. PARNELL

Jack C. Parnell was sworn in as Deputy Secretary of Agriculture by Secretary of Agriculture Clayton Yeutter on April 20. President Bush announced his intention to nominate him for this post on Feb. 28, and he was confirmed by the Senate April 19.

Born May 7, 1935, in Leavenworth, Wash., Parnell is a private pilot who drives a hitch of Clydesdales for pleasure and in competition. His wide-ranging career includes service in the cabinet of California Gov. George Dukmejian since 1983 and a lifetime of California farming and ranching. He was raised on his father's dairy farm in Fair Oaks, and has owned and operated Duniplace Angus Ranch, in Auburn, since 1956—a 2,500-acre operation producing cattle, squash, pumpkins, and fruit and Christmas trees.

In California, Parnell has been director of the Department of Food and Agriculture since 1987. From 1984 to 1987, he was director of the Department of Fish and Game, and from 1983 to 1984, deputy director of the Department of Food and Agriculture. A graduate of Western College of Auctioneering, Billings, Mont., he was a pedigree livestock auctioneer from 1966 to 1983, travelling extensively throughout the United States and Canada.

From 1966 to 1972, Parnell owned and published California Cattleman's Magazine, and from 1964 to 1966, he was field editor for Pacific Stockman and Stockman Weekly. From 1959 to 1965, he managed the Elbo Angus Ranch, Elk Grove, Calif. While attending Sacramento City College in 1954, he started a business maintenance company which became the city's largest independent operation of its kind; he ran the business until 1966.

Parnell founded and became chairman of the board of the Auburn Bank of Commerce in 1982. He built and began operation of three Auburn businesses in the 1970's—Headquarter House Restaurant in 1975; Headquarter House Country Meat Shop in 1976; and Angus Hills Golf Course in 1977.

He has been on the national board of the American Angus Association; the board of the California Production Credit Association; past president of the 20th District

Agricultural Association, an appointment made by President Reagan; past president of the California Angus Association; past president of the California Auctioneers Association; and the board of the Western States Angus Association. Governor Deukmejian named him to the Pacific Fisheries Management Council and the Advisory Board on Air Quality and Fuels. He currently serves on the U.S. Trade Representative's Intergovernmental Policy Advisory Committee.

Memberships also include the California Farm Bureau Federation, California Cattlemen's Association, Tahoe Cattlemen's Association, American Angus Association, Western States Angus Association, California Angus Association, and National Clydesdale Association.

Parnell has received many awards from agricultural and civic associations. Most recently, he was named 1988 Man of the Year for personal commitment to the community of Auburn, Placer County, and the State of California. Both 4-H and the Future Farmers of America have honored him, and he was cited in 1985 by the California Bureau of Narcotics Enforcement for exemplary service in the campaign against marijuana planting. He also received an Outstanding Service Resolution from the California Senate and Assembly.

Parnell is married to the former Susan Musso. They have three married children, Jack R., Lon C., and Jill C., and six grandchildren.

BUDGET OVERVIEW HEARINGS

Mr. Whitten. As you know, under the rules, we are required to have an overview hearing on the overall budget with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Council of Economic Advisors.

We had that hearing, and from my viewpoint, one of the most serious things we are facing is what's happened to rural America.

Some years ago, I changed the title of this subcommittee because it gets more and more important that the Nation understand the vital part that programs under your jurisdiction play in the Nation.

Most of our $3 trillion debt comes from the way we've butchered up every agricultural program which is still authorized by law.

I've read your report, I've read your study about the future of the 84 percent of the country that's rural, and I believe the title of your report for the future is Rural Economic Development in the 1990s.

I realize that many of the problems with agriculture in the rural areas of the United States originated over the last 10 years, before you took over on February 8, 1989.

However, knowing of your success as head of the Chicago Mercantile Exchange, and, may I say, knowledge of your ability, I had high hopes you might reverse the course followed for the last eight years.

I regret to say that up to now I've seen no sign of a return to the policy of letting the farmers get a fair price from the buyer, as he did for the 48 years prior to 1981.

POLICY ON IMPORTS

We still have an open door policy for imports. We no longer use the Commodity Credit Corporation for the purposes for which it was created, that of stabilizing farm income by loans and purchases, and using its authority to sell in world trade to regain and retain our share of world markets.

Our hearings show that in a world where hundreds of millions of people need food and clothing, we are paying our farmers not to produce.

Imports pour in. As we have pointed out in our last check up, as many as 640 truckloads of farm commodities came across into the United States from Mexico at one border crossing in one day.

Under existing law, when the Tariff Commission finds that imports threaten a domestic industry and recommends to the President, he can limit, tax or prohibit such imports.

We know of no effort on your part or the Department's to call for such action. The Department and the Executive Branch seem to have no idea that the restrictions against imports are for the purpose of supporting their own industry.

By way of illustration, at one time England prohibited the import of cattle from the United States on account of foot and mouth disease. They had it, and we didn't.

So when you get one obstacle removed, they will put up another because their purpose is to protect their own industry, which we refuse to do for our folks.

Instead of your Department requesting such action, your reports seem to accept this action by our competitors. Instead of our Tariff Commission acting to set in motion the protection authorized by law, you seem to accept the situation. Yet, our hearings show that all other countries, except where there is a specific agreement, sell what they have and don't need for what it will bring.

EXPORT ENHANCEMENT

True, you have set up the Export Enhancement Program, which cost us $2.9 billion, but the money goes to the exporters and the cost is charged to the farmers.

You spent $730 million for certain American companies to promote their product abroad, and that, too, was charged to the farmers.

As you point out, only 9 percent of rural people live on the farm, but that has nothing to do with the fact that agriculture remains our biggest industry, our largest employer of labor and, normally, our greatest dollar earner in world trade.

We read about this "one world" business, and our country seems to be the only country that follows that course. Each day we read of further promises to financially support various countries, money we'll have to borrow.

For years we've pointed out that you can't kick your largest industry down without wrecking our national economy. It might be said, it has come to pass.

DEBTOR NATION

The national debt was $932.3 billion in 1981 and has grown to over $3 trillion, larger than the debt of any nation in the history of the world. That has happened despite our Committee holding the line, by appropriating less than the President requested during the last eight years.

We are now faced with having to borrow money from foreign countries to finance our debt. Interest on that debt in fiscal year 1990 is $180 billion. For fiscal year 1991 it is projected to be $185 billion, which comes off the top of our economy. Our trade deficit has gone from $19.3 billion in 1980 to $152.1 billion in the red in 1987, $119.8 billion in the red in 1988, and $108.6 billion in 1989.

In 1986, for the first time since 1914, the United States became a debtor nation, and now, as I've said, owes the largest debt of any nation ever throughout history.

This has occurred despite the fact that the Committee, of which I have the honor to be Chairman, with the support of the Congress, has consistently held the total appropriations bills below the President's budget requests by $173.5 billion since 1945, yet by reason of entitlements, back door spending and the 1981 tax bill, our debt is now over $3 trillion.

Foreigners are buying up our country at an alarming rate. The Japanese already own most of the major buildings in Los Angeles and many other major cities, including Honolulu. We're afraid to ask them how much they own, because we have to rely on them to finance our debt.

FARM SUBSIDIES

Then we read daily about the farm subsidies. Only the farmer is tagged with the word subsidy. Labor has minimum wage and the bargaining power of labor unions, the costs of which are passed on to the consumer.

Industry adds its markup, which is passed on to the consumer. And formerly, agriculture, on basic commodities, was protected by a requirement that Commodity Credit Corporation stocks could be sold only for 110 percent of parity on the domestic market while selling abroad competitively as is done by other countries. For the last 10 years that authority has not been used, though it's still authorized.

What happened to the farmers is now happening to the Nation. We tried to point out that it would spread if it continued. Our country is selling off its assets and increasing our debt to keep up an appearance of economic well-being. We are rapidly substituting service jobs for productive jobs.

With a debt of $3 trillion we are about to get in the situation of doing only what our creditors will let us do, if we have not already done so.

CHANGE IN AGRICULTURAL POLICY

Also in 1981, agricultural policy was redirected from one of moving our surplus production into world markets at competitive prices to one of requiring the farmer to get his income through a check from the U.S. Treasury.

What has been the impact on agriculture? American agriculture and rural areas of our country have suffered the greatest decline in history. The significance of this is even more startling when one remembers that agriculture is our largest industry, larger than the auto, steel and housing industries combined.

Since 1980, according to your January 22 statement on Rural Development, about 400,000 rural people each year have packed their bags and left rural America.

Since 1981, according to the Congressional Research Service, over 300,000 farmers, or over 12 percent, have been forced off their farms.

As the land was foreclosed or taken over and people were forced off their farms, Farmers Home would not let the farms be sold to relatives. Thousands of farms were sold that had been in the same family for generations. Instead, they let the land be sold to insurance companies and large corporate farmers who got first pick at the best land.

Since 1981, our agricultural exports have declined from $43.8 billion to a low of $26.2 billion in 1986 and back to $40 billion this year, as you point out. Yet, adjusted for inflation, they are still one-half what they were prior to 1981. Under the Department's program, the profit has gone to the exporter, but the cost is charged to the farmer.

Through the years the farmer has been discriminated against by his Government. During World War II, the Government asked the farmer to plant from fencerow to fencerow to help with the war effort. When the war was over, the Government gave $20 billion to industry to help it adjust back to more normal conditions, but it did nothing to help the farmer.

During World War II, we placed an embargo on exports, except at Government fixed prices. Cotton was sold to Spain for 46 cents. They, in turn, could resell it for 96 cents. A few years ago we turned our surplus butter over to New Zealand so they could sell it to Russia at 50 cents a pound profit.

In 1980, President Carter placed an embargo on sales to Russia because of her invasion of Afghanistan. The embargo didn't hurt Russia; it just gave our farmers' markets to our competitors.

Under the PIK program in 1983, which cost over $12 billion, our domestic production was reduced by 11 percent, our exports were reduced by the same amount, and our competitors overseas increased their production and sales by that 11 percent.

We now have more than 70 million acres of land out of production and idle, either through foreclosure or Government efforts to create shortages and, thereby, prop up prices.

When Congress passed legislation in 1977 to provide farmers some debt relief, the Department ignored it. When Congress passed legislation requiring it, the Department delayed implementing the law for one year and then required the farmer to complete all the paperwork in 45 days.

RURAL DEVELOPMENT INITIATIVE

The policy of the last nine years has wrecked the economy of rural America, as shown by the proposed Rural Development Initiative which would fund rural development programs at a much lower level than Congress provided last year.

Many books have been written about the Great Depression, yet no one has ever been able to adequately explain why it lasted 10 years. Recovery came only when we started at the ground level and restored purchasing power to agriculture. That's overlooked in your Rural Development Initiative.

CCC was set up so we could compete in world trade. Our competitors often deal on a government-to-government basis. Under our system, we had no means to compete on an equal footing, so we set up the CCC. For the last decade, the Department has refused to use the authority of CCC, and instead, gave our profits to corporations rather than to the farmer.

The Wall Street Journal recently carried an article about the closing of auto plants. You would try to set people up in business where even established companies can't make it because you don't study the cause of the problem.

Instead of using CCC, we have paid large international corporations, many foreign owned, $2.9 billion in incentives in the last four years alone to move our commodities overseas.

Instead of using CCC, we have paid U.S. corporations $730 million in the last five years to promote their products.

These costs are all charged to the farmer and the farm program because our Government refuses to use CCC and section 32, which were set up to promote our exports.

You recently released funds to help with the Medfly in California and the costs are charged to the farmer. That money is to protect the food supply of the consumer.

To the Department, the farmer is still viewed as a supplier of cheap raw materials. If you want more, pay them a higher price.

That was true under Secretary Benson, in the 1950's, and it's been true ever since, with one exception. If you want less, pay him a lower price. Seemingly, you don't see that with fixed cost, he has to produce more units.

The present policy seems to accept the farmers' plight and financial disaster for our country. Nowhere in this budget does there appear to be any recognition of from where our $3 trillion debt comes.

Nowhere in this budget is there any indication that the farmer can expect anything but more of the same. Nowhere in this budget or in your Rural Development Initiative is there any recognition given to the fact that the policies of the last decade have caused the problems faced in rural America.

Yet, Mr. Secretary, you seem to recognize that a serious problem exists as a result of past policies, for on page three of your report, you state, "By the early 1980s, rural America had once again lost its economic momentum. People began leaving the country and small towns because they found limited opportunity for personal advancement in those areas.

During much of the 1980s, about 400,000 rural people packed their bags and left rural America each year to seek employment in the cities."

On page four, you say, "Agriculture remains the most important industry in rural America, but now employs relatively few people; this trend is likely to continue.

Today only about nine percent of all rural people work on farms or ranches." Nowhere in this budget are there any current policies or recognition that how many people own a farm has nothing to do with the size and contribution that agriculture makes to the national economy.

Nowhere in this budget is there any indication that current policies will change. We must at least point out that we're meeting our current obligations by paying with borrowed money, selling our assets, and inflating the dollar.

How could this have been avoided? Existing law enables the Government to reinstate the farm programs which operated successfully for 48 years, a program where a fair price was received from the purchaser, both at home and abroad, and where we kept our price competitive. During those 48 years farmers were, to a degree, kept in balance with industry and labor who are able to pass their increased costs on to the purchaser of their product.

Increasing the price the farmer receives would have only a very small impact on prices. The 60-cent loaf of bread contains only five cents worth of wheat. A $16.00 cotton shirt has 43 cents worth of cotton. If we were to increase the price received by the farmer by 10 percent, it would only add a penny or two to the cost of these items, if only that were passed on. Under our system, however, a retailer would charge what the traffic would bear.

Prior to 1981 the total cost of the farm program over its 48 year history was $72.5 billion. In the past nine years alone it has cost almost $140 billion. If we are to handle the existing debt, we are going to have to produce more than we need and sell it in world trade.

We must limit imports to those things we really need, as other countries do. We must have productive jobs, with value received as we did in the 1983 Jobs Bill.

Now, that's a blue picture. I started off by saying you came into office on February 8, 1989, so we're not holding you responsible.

We are asking you to look around and see what you can do to help us straighten it out, because your report to us doesn't show any effort to straighten it out.

You have offered to promote job production in non-farm activities in rural areas, when those already in business are going broke.

I'd like for you to think a little bit based on your prior experience and your knowledge of these things. I have to say that in the visits that I've seen you going to other countries, I almost thought you represented the Foreign Aid Committee or the Secretary of Treasury, because you haven't been representing agriculture and trying to sell American products.

I think you've been trying to see what commodities we could let them send over here. That's the way the papers read. This is a serious situation

Again, I'm not holding you responsible, but I am asking you to help study this thing and see what we can do to straighten it out.

As I said, I read your statement, I read your report about rural America, and I thought I should put this in the record so that we know what we're talking about.

We're talking about a serious thing, and our financial situation plus the drug business, I think, threatens this country more than it's been threatened since the Civil War.

We'd be glad to hear from you.

SECRETARY YEUTTER'S OPENING REMARKS

Secretary **YEUTTER**. Thank you, Mr. Chairman. I do not see the situation as being as bleak as you do, obviously. I'm considerably more optimistic about the situation than you are, but let me comment on a few of the elements of your statement, and then I'll say a few words about the budget itself, and then we'll go to questions.

SELLING AMERICAN PRODUCTS OVERSEAS

First of all, I want you to know that I do work at selling American products every time I make a trip abroad. I have a hunch, Mr. Chairman, that I probably work more and harder on that than any American over the last five years.

Mr. **WHITTEN**. I wish the press could hear what you say.

Secretary **YEUTTER**. Well, they don't always do that, of course, because they write what they're interested in which is not necessarily what you and I are interested in.

But we spend a lot of time, effort and energy in that, with some excellent successes. You commented on the export——

Mr. **WHITTEN**. Let me ask you something. These countries you go to that are in such terrible shape, how are they going to buy anything that we try to sell to them?

Secretary **YEUTTER**. Well, some of them obviously cannot, and the Eastern European——

Mr. **WHITTEN**. Which ones can?

Secretary **YEUTTER**. I would say Japan can.

Mr. **WHITTEN**. But of the countries you've been noted to travel to, I haven't seen anyplace where they're not desperate. We want to help them, but agriculture is not the place to do it.

Secretary **YEUTTER**. Well, if you're talking about Poland, I led that mission at the President's behest for the country as a whole. I was representing him, rather than simply the Department of Agriculture, because he asked me to do that.

Mr. **WHITTEN**. That's the point I'm making, and I'm just telling you how the press reads.

BEEF EXPORTS TO JAPAN

Secretary **YEUTTER**. But I'd say the Japanese can afford to buy American agricultural products, and they're doing so. As a result of our negotiations with them a couple of years ago, the beef market is opening up.

For those members of the committee who have any interest in beef, we had over a billion dollars of beef exports to Japan.

Mr. **WHITTEN**. The point I'm trying to make is that every time we get in trouble, it gets charged up to agriculture, and that's what you're doing, according to the press, in these countries.

They don't have any money. We are not helping them. We've gone around the world trying to train people in order to have a better living, and they end up producing that which they can offer in world trade in competition with us.

I have trouble keeping quiet on this. I mentioned all these things because they should have your attention. I realize that offhand you can't control them, but it's a true picture of the situation.

FOREIGN MARKET DEVELOPMENT

Secretary Yeutter. Typically, though, Mr. Chairman, when those developing countries have been able to generate economic growth, even though they've produced more in the way of agricultural products, they've often, in fact, ended up importing more.

Korea is an example of that. Korea produces substantially more in the way of agricultural products today than it did 20 or 30 years ago, but it's more than a $2 billion market for U.S. agricultural commodities.

So that's the best of all worlds. Had we never helped Korea as we did in the aftermath of the Korean War, I doubt they'd be importing as much in the way of agricultural products as they are today.

It's the economic growth that's given them the purchasing power to do that, and let's hope that the Eastern European experience will be similar to that.

If they can get on track from the ignominious failure of communism and generate economic growth, I think those are potential market places in the future that we need to cultivate.

Mr. Whitten. I think we need to talk to our State Department and the President. We need to do something. Our national debt has grown to over $3 trillion. Interest on this debt in fiscal year 1990 is $180.0 billion which comes off the top of our economy.

While you're running around with a marshal plan over there, I read in the paper where Japan was considering a marshal plan for the United States. It's laughable in some respects, but it's doggone dangerous.

Secretary Yeutter. Well, we're working places in the world other than Eastern Europe.

Mr. Whitten. But I'm trying to say let's give some thought to the United States of America.

CHALLENGING UNFAIR TRADE PRACTICES

Secretary Yeutter. Of course. We've been doing a good bit of that, Mr. Chairman. On the export side, once again, you asked whether we were challenging other people's unfair trade practices that were causing us difficulty, and the fact is that we did challenge Korea on beef recently.

We won that case, and Korea is now going to open up their market to American beef. We've challenged the European community——

Mr. Whitten. But you won't do anything to keep their commodities from coming in here, and that's the reason we are facing billions of dollars in deficit. We open our doors to everybody in the world, and no other country in the world does that. We can't allow it to continue any longer.

Secretary Yeutter. Well, our American industries, Mr. Chairman, have the right to ask for help if they wish. As you pointed out, the Government doesn't do this; the industries themselves do this.

Whether it be agriculture or industry, if they're being inundated by imports, they have the right under Section 201 of our Trade Laws to ask for a trade tax.

Mr. **Whitten**. Well, they also have a right to expect you to go to the U.S. International Tariff Commission. If the American industry, including agriculture, is threatened, you are entitled to go to the Tariff Commission and ask them to make a finding, in which case the President has a right to limit, tax or prohibit such imports. Every other country does this to protect their economy.

Secretary **Yeutter**. Well, we can go to the U.S. International Trade Commission asking for studies, but the actual safeguard actions are initiated by the industry.

Mr. **Whitten**. I've already done some of that study for you and have given you a copy.

Secretary **Yeutter**. Any time that any of our industries wish to initiate those processes, they can do so. They're not in any way precluded from doing so.

Mr. **Whitten**. Well, as I mentioned in my opening remarks, for years England would not, and I presume still does not, let us send cattle over there because of foot and mouth disease. They have it, and we don't. So all of this is trumped up to keep our commodities out, and you don't seem to realize it.

Secretary **Yeutter**. Mr. Chairman, if that kind of thing happened today, we would immediately challenge that in the GATT, as we have some of these other things you have mentioned.

Mr. **Whitten**. Where would you do it? Down at the Department?

Secretary **Yeutter**. No. In the general agreement on tariffs and trade, which we've been doing with much greater regularity since I returned to Government, Mr. Chairman.

Mr. **Whitten**. With all your spending, we're just back up to half as much export. You're not having very much success.

Secretary **Yeutter**. Well, our difference between exports and imports in agriculture has been widening. Our imports have been relatively flat, our exports have been growing significantly, and we hope we can sustain that momentum.

Mr. **Whitten**. Significantly is a very indefinite word.

Secretary **Yeutter**. As you pointed out in your statement, Mr. Chairman, our exports were $26 billion in 1986, but are now $40 billion. That's about a 50 percent increase.

Mr. **Whitten**. Do you want me to provide a list of the corporations that received the products and charged it up to the farmers?

Secretary **Yeutter**. Mr. Chairman, I have no idea how much profit they've made.

Mr. **Whitten**. Do you have a copy of that? I have it if you don't.

Secretary **Yeutter**. You have this information from Mr. Dewhurst. I'm not sure whether it reflects profits. I have not talked to the Internal Revenue Service about what their corporate profits are.

I think that's confidential information on their part. They may be having corporate losses, for all I know, Mr. Chairman.

But the fact is we do need to sustain that export momentum. We're going to do everything we can to try to develop additional export opportunities.

Mr. **Whitten**. Did you ever think about asking the Tariff Commission to give you protection over here? That's the best way to make them behave over there, but we won't do that.

Secretary Yeutter. Right now, we've got a negotiation underway Mr. Chairman, and we've got an excellent opportunity to develop workable international trade rules that will be beneficial to our producers.

Mr. Whitten. If a fellow goes broke and has to go out of business while you're in negotiations, I don't know whether he's going to be too pleased.

Secretary Yeutter. The current negotiation is scheduled to wrap up in December of this year. That's not very far off, so we'll know soon what the outcome of that may be. We hope it will be positive for U.S. agriculture.

Mr. Whitten. Let me interrupt you. Some years ago, I was giving a speech in the Mississippi Delta, and I said you've got to look at the long range. A fellow at the back said "Well, I owe my note this fall."

Secretary Yeutter. Yes.

Mr. Whitten. You're saying next December is not far off, but it is for a farmer who owes his debt now and can't pay it.

Secretary Yeutter. That's assuredly true, Mr. Chairman, but farmers have had three good years in a row.

Mr. Whitten. Farmers are leaving the business of farming. Over 300,000 of them are gone. You've inherited what's left of agriculture. We've got 70 million acres lying idle with the world hungry.

Secretary Yeutter. Well, as you may have noted, Mr. Chairman, we've been reducing set asides since I've been at the Department during the past year.

Mr. Whitten. Well, I tried to protect you at the start of this hearing by stating you just came on February 8, 1989, so I'm not holding you responsible, but I'm asking you to help us now.

ACREAGE SET-ASIDES

Secretary Yeutter. Mr. Chairman, we've been trying to do that with some criticism from the agricultural community, as a matter of fact, as we've reduced set asides in some of these areas.

But I agree with you that each time we take additional acreage out of production, we increase our average production cost per acre, and we also give market share to our competitors on a silver platter. We're going to try to change that.

Mr. Whitten. You own a farm as well as I do. Mine's a small one, but I found out the way to farm is get a salary on the side. I think you did, too.

Secretary Yeutter. Well, there are times when that works advantageously, and there are other times when it's good to have the farm on the side too.

Mr. Whitten. Show your losses and help your tax situation. Is that what you mean?

Secretary Yeutter. Well, every now and then we do make a profit.

Mr. Whitten. I didn't ask for a specific answer. I think everybody can see it.

Secretary Yeutter. It's a cyclical business, Mr. Chairman, as you well know. But I do hope that we can reduce the amount of land that we're pulling out of production and compete aggressively internationally, because that's imperative.

I agree with you that the PIK Program was a mistake, and the embargo was likewise a mistake.

Mr. WHITTEN. I guess we've had about enough mistakes. We can't take many more, Mr. Secretary.

Secretary YEUTTER. That's right Mr. Chairman. We will endeavor not to repeat those mistakes as long as I'm Secretary of Agriculture. But you and I may have some differences as to what some of the other strategies should be to prevent us from doing so.

We want to do everything we can to increase farm income, but we'd like to do it by generating opportunities in the market place here and abroad, and I believe we have some good opportunities.

Mr. WHITTEN. You try to set people up in business where even established businesses can't make it. That's what you're telling us in your report.

Secretary YEUTTER. Well, the business of agriculture is certainly improving and has been for the last three years.

Mr. WHITTEN. For those farmers that are left.

FARM ECONOMICS

Secretary YEUTTER. That's correct. We may continue to lose some folks from agriculture, as essentially all other countries are, because we've been substituting capital for labor for a lot of years in agriculture, and so has most of the world.

That will probably continue, but I don't see any reason for any major changes anymore. It seems to me that our farms now have pretty much reached the point where they're taking advantage of the economy of scale so that their unit costs have shown marked improvement, and they don't need to get a lot larger to perform well economically.

But since we have substituted so much capital for labor in agriculture, that means that if the folks are released from farms in rural areas, as they have been for a good many years now, we've got to find other opportunities for them.

Mr. WHITTEN. You've got a play on words. You say farmers released from the farms. That's a nice way to say foreclosed.

Secretary YEUTTER. Well, that's what substitution of capital for labor is all about. You know, we could go back and eliminate the capital and go back to horse farming, but I don't think anybody is going to do that.

So we're likely to continue to operate with tractors rather than horses and with modern machinery rather than the old machinery that we had when you and I were kids, so we don't need as much labor in agriculture as we did back in those years.

Mr. WHITTEN. No, but agriculture is just as big. The people have been supplanted by high cost machinery, and all of the other costs associated with farming have gone up as well.

You're right about fewer rural people living on the farm, but that's got nothing to do with its importance in the overall economy.

Secretary YEUTTER. Sure. That's right. Of course, what that means is that if we're going to keep those folks out in rural areas rather than have them come to the Washington, D.C.s of the world, we've got to find other opportunities for them in the rural areas.

Mr. WHITTEN. We don't want to keep them out of rural areas. We, on this Committee, have sponsored a number of rural development programs, such as water and sewer and rural housing.

Well, we try to look at the whole country, as I've pointed out many times before, Since 1934, when we started meeting local problems with national programs, our national wealth has increased 41 times.

Wealth is not paper money, as you know, and activity is not productivity. I think one of the mistakes we have made here is in investment spending, where the results might last 100 years, but are charged up to annual expenses.

So there are lots of corrections we can make in Congress. I can't do it alone, and collectively we haven't been able to yet. What I'm saying here again is that, what's happened up to now is not your fault, but we have to look to you to straighten it out.

Secretary YEUTTER. Well, I think we can diversify job opportunities out in those rural areas, Mr. Chairman.

Mr. WHITTEN. Anything but farming.

Secretary YEUTTER. Well, I'd like to have farming.

Mr. WHITTEN. But what you're telling us is that farmers have just got to do something else. Well, I'm just telling you the industry is too big for that. Agriculture is the one advantage we've got over the world, including Russia, and we're not taking advantage of it.

Secretary YEUTTER. No, Mr. Chairman I'm saying we ought to have a healthy and productive farming sector, too; but, as my statement indicated, 90 percent of the people in rural areas are not in farming today.

Mr. WHITTEN. Yes, and over the last 10 years it's gotten 10 times worse.

Secretary YEUTTER. But Mr. Chairman let's try to maintain employment in agriculture as best we can along with maintaining, and where feasible, increasing those incomes.

We still have to do something with those other 90 percent who are out there but are not in farming today. We can't just ignore them and say move to Chicago or Washington, D.C. I'd like to keep them out in the Broken Bow, Nebraskas.

Mr. WHITTEN. A healthy agriculture is the way to do it.

Secretary YEUTTER. But that's not the only way. There are other things they can do, too.

Mr. WHITTEN. I notice in your report, and I don't know whether you wrote this report or just signed it, but when you read it, it points out the situation that we are talking about.

You're offering the farmer something else, and the statement is made, "A restoration of agriculture alone won't take care of it."

Secretary YEUTTER. Yes Mr. Chairman, that's right.

Mr. WHITTEN. Nobody has ever claimed that it alone would, but why not start with it when you can see that that's a major thing?

RURAL EMPLOYMENT

Secretary YEUTTER. Well, that's a given, and I think we said regularly in those reports that agriculture will always be the main industry in the rural areas.

But I don't see us employing a lot more people in agriculture. Maybe in processing or creation of value in products for agriculture, but as long as we're using modern machinery, I don't see a need to add more labor in agriculture.

We don't need more labor on my farm in Nebraska. It will operate very efficiently with the labor that it has there today and will operate many years from now with the labor that it has there today.

We could add more by getting rid of some of the machinery, but I don't think my tenant wants to do that. So if my tenant's kids want to stay in that area, we've got to find something else for them to do.

My tenant isn't going to tell his kids, "Come work for me on the farm," because he really doesn't need it.

Mr. WHITTEN. I just don't want them forced to do the things you're talking about.

Secretary YEUTTER. No, that's fine. But, you know, we've got to try to have a healthy economic performance in the entire rural community. That starts with agriculture, as you're suggesting, Mr. Chairman, but it includes other things, too.

We ought to be able to develop other industries there, as well.

Getting to the budget for a minute, since that's why we're here, certainly the research activity has something to do with it.

1991 BUDGET

Mr. WHITTEN. Yesterday, we had Mr. Dewhurst here giving us a Department budget overview. I have here a summary table of program changes included in the Department's fiscal year 1991 budget request. The first two pages contain figures showing a minus compared with last year's program. Further on down the live I notice there is a plus, and it was your office. I said, well, that's different.

Secretary YEUTTER. Well, I'd say there were a few more pluses than that, Mr. Chairman, because we ended up with a net plus for the Department as a whole.

Maybe we had too many people in my office, but I'm working 16 hours a day now. I'd hate to work 18 or 19 hours, but maybe I have to.

Mr. WHITTEN. I'm just trying to steer your efforts.

Secretary YEUTTER. Right. But I do hope that the Committee will look with favor on some of the new initiatives that are here, because we think they're important in the agriculture in which we live.

LOAN GUARANTEES

Mr. WHITTEN. Let me just mention two or three budget requests. I apologize to the Committee for taking up so much time. One of them you have is loan guarantees.

Secretary YEUTTER. Yes.

Mr. WHITTEN. Well, when Farmers Home turns a man down for a loan, you're not going to find a bank that's going to make him a loan. Banks today are in terrible shape.

We've had over 800 go broke. The FDIC, when the FHA turns them down, will hardly approve a farm loan in the bank.

On the other hand, if you've dealt with the whole country, as we have on this Committee, you've got lots of areas where they never did have a bank that could make the loans.

So you're going to give a guarantee, and half the country won't have a bank that's interested in it under the present conditions.

Secretary YEUTTER. Guarantees have not worked very well, and that's why I asked for some changes in this budget, Mr. Chairman. Those came from me personally.

Mr. WHITTEN. The other item that I might take up with you, and I'll be quick with this, is competitive grants bidding. This type of bidding gives grants to the larger universities and so forth and so on, and we don't have the follow-up that you have on the others.

Now, I grant you that some of it where they have special training is all right. But to shift it over there just to kill your land-grant colleges and your State experiment stations——

COMPETITIVE GRANTS

Secretary YEUTTER. Mr. Chairman, I think, you should visit some more with Assistant Secretary Hess on that item when he comes up for the budget, but I've asked the same question. His response to me has been that even with the new grants program, that would be on a competitive grants basis, we still have a lot of money flowing to the land-grant institutions on a non-competitive grants basis.

Mr. WHITTEN. Would you send me copies of that so I can send it to them? That's not the mail I'm getting.

Secretary YEUTTER. All right. Sure. That's why we need to have discussions of these subjects. But back to the loan guarantee programs for a minute, the fact that the guarantees have not been—is this a vote for you?

Mr. WHITTEN. I believe it's just a call of the House.

Secretary YEUTTER. Let me return to the guarantee issue for just a minute. We added an interest buy down feature for the very reason that you suggested.

If the loan guarantees are to be made at ordinary commercial interest rates, it's often very difficult to get a bank to do that, so we wanted to get a menu or a potpourri of possibilities here in the administration of these programs so that you could use interest buy downs at something below commercial rates and generate some interest by the banks in that kind of program. I hope we've been able to do that.

Mr. WHITTEN. Well, I hope our banks don't go under, but we've got a world of banks that the FDIC has got a close tab on, and a farm loan is one that they're very suspicious of.

Secretary YEUTTER. Sure.

Mr. WHITTEN. I guess this a good stopping point to recess, go vote and come back.

Secretary YEUTTER. Okay.

[Recess.]

FARM BILL COSTS

Mr. WHITTEN. Mr. Secretary, the fiscal year 1981 Farm Bill, as submitted by the Administration, was estimated to be an "$11 billion bill." Its final cost was approximately $80 billion. The fiscal year 1985 Farm Bill submitted to Congress by the Administrator was described at that time as a "$16 billion bill." The final bill was described by both the Congress and the Administration as a "$24 billion bill." According to page 202 of your budget, you now estimate the total cost of the 1985 Farm Bill at $80 billion.

As you know, the Farm Bill deals with the entitlement programs spending which bypasses the annual appropriations process. However, under the Gramm-Rudman we are dealing with a fixed total each year and new or increased entitlements leave less for other discretionary spending. What figure is the Administration using for planning purposes as the total cost of the 1990 Farm Bill.

Secretary YEUTTER. The net outlays of the Commodity Credit Corporation for price support and related activities over the fiscal year 1986 to fiscal year 1990 period are projected to total $80 billion. This is roughly the period covered by the Food Security Act of 1985.

For purposes of comparison, if the 1985 Act operates unchanged for the 1991 through 1995 crops—the so-called "current law" baseline—outlays are projected to total $66 billion for fiscal year 1991 through fiscal year 1995. However, the President's Budget proposes reductions from this baseline to be obtained through the legislative process.

For fiscal year 1991, the budget proposes $1.5 billion in savings from baseline. Even with the savings, CCC net outlays would still be $2 billion above the fiscal year 1990 level. Budget savings are needed for the years following, as well. At this time, no one knows what the 1990 Farm Bill will contain. Its provisions should contribute to reduction of the deficit and, when it is written, it should certainly be projected to cost less than current law.

Mr. WHITTEN. How can you assure us the estimates will not be as far off as the Administration estimates on the other two Farm Bills?

Secretary YEUTTER. The figures you cite surely demonstrate the inexactness of projecting outlays for farm price and income supports. The 1981 Act was, indeed, projected to cost about $2 billion per year and to total $11 billion over the 4 crop years that were covered by that law. Expectations of high prices and continued strong export demand were responsible for those low cost estimates. Incidentally, those same expectations led Congress to enact and the President to sign the legislation with target prices so high that nearly the last decade has been spent trying to reduce them.

The estimates for the 1985 Farm Bill were not so far off the mark. During deliberation on that bill, you may recall, Congress and the Administration agreed that the bill would be acceptable if it was not projected to cost more than $52 billion over the period fiscal year 1986 through fiscal year 1988. In December 1985, for the fiscal year 1987 President's Budget, the Act was projected at $55 billion over those three years. Actual outlays totalled $61 billion over that same period. Over the period fiscal year 1986 through fiscal year 1990, the total projected in December 1985, was $86 billion, slightly above the $80 billion figure in the fiscal year 1991 budget.

As for the projected cost of the 1990 Farm Bill, we will do our best to deal with the many uncertainties that always surround commodity projections.

Mr. **Whitten**. For fiscal year 1991 you are assuming an outlay reduction of $1.5 billion below the funding level required if the 1985 Farm Bill were extended. How would you achieve the reduction of 13 percent that you have proposed, and are you assuming similar percentage reductions in future years?

Secretary **Yeutter**. We have not proposed a specific set of changes for achieving budget savings, but Chapter V of the President's budget summarizes some of the approaches which could be used. Target prices and/or the portion of the crop acreage base which is used in determining deficiency payments could be reduced; or payment limitation revisions could be tightened. All of these can affect outlays. We prefer to work with the Congress in determining how to achieve the necessary budget objectives within a sound policy framework.

Mr. **Whitten**. Provide a 5-year table for the record showing the estimated annual costs for 1990–1995.

Secretary **Yeutter**. I will provide the baseline under current law.

[The information follows:]

COMMODITY CREDIT CORPORATION FISCAL YEAR 1991 PRESIDENT'S BUDGET ESTIMATES, NOVEMBER 1989 SUPPLY AND DEMAND ESTIMATES

[By fiscal year: in millions of dollars]

Item	1990	1991	1992	1993	1994	1995
Feed grains	$4,270	$6,099	$7,652	$7,961	$7,226	$6,767
Wheat	522	2,061	2,558	2,484	2,374	2,294
Rice	616	673	772	756	764	770
Upland cotton	−242	710	565	441	354	266
Soybeans	236	52	13	−27	−58	−67
Peanuts	−6	3	4	4	4	4
Tobacco	−307	−138	−15	−10	−8	1
Honey	69	44	49	38	32	27
Sugar						
Dairy	483	617	487	317	226	298
Wool	121	120	127	137	141	146
Other commodities [1]	5	−74	35	36	36	36
Subtotal agricultural commodities	5,767	10,176	12,247	12,137	11,091	10,542
Conservation reserve						
Export guarantee program	129	105	40	15	10	46
Direct export credit	−35	−46	−21	−26	−44	−58
Storage facility loans	−12	−2				
Operating expenses	634	641	661	682	702	721
Net interest	609	262	182	232	285	270
Change in working capital	500	500	750	1,000	1,000	1,000
Federal Crop Insurance transfers	0	0	0	0	0	0
Livestock assistance [2]	90	0	0	0	0	0

COMMODITY CREDIT CORPORATION FISCAL YEAR 1991 PRESIDENT'S BUDGET ESTIMATES, NOVEMBER 1989 SUPPLY AND DEMAND ESTIMATES—Continued

[By fiscal year: in millions of dollars]

Item	1990	1991	1992	1993	1994	1995
Crop disaster assistance [3]	6					
All other [4]	486	112	299	290	282	285
Subtotal, other expenses	2,407	1,572	1,911	2,193	2,235	2,264
Total, CCC	8,174	11,739	14,158	14,330	13,326	12,806
President's budget	8,174	10,370	11,163	9,950	8,546	7,426

[1] Other commodities include rye, vegetable oil products, blended food products, ELS cotton, and peanut products.

[2] Includes $4.6 million for Forage Assistance Program in fiscal year 1989 and $2.2 million for Tree Assistance Program—TAP in fiscal year 1989 and $1.5 million for TAP in fiscal year 1990.

[3] Assumes $1.0 billion in 1989 crop disaster payments will be issued in certificates in fiscal year 1990 with the outlay impact appearing in other commodities.

[4] All other includes export donation ocean transportation, supply program, certificate redemptions for cash $102 million in fiscal year 1988, $508 million in fiscal year 1989, and $350 million in fiscal year 1990, administrative equipment, CCC reimbursable agreements, and $200 million for the Targeted Export Assistance Program in fiscal year 1992 through fiscal year 1995.

Note: [1] Assumes advance deficiency payments for 1990 through 1995 crops. Advance deficiency payments for wheat, feed grain, rice and upland cotton will equal 40 percent of total expected payments in fiscal years 1990 through 1995. Assumes the following percentages for deficiency payments issued in certificates: Corn and Grain Sorghum 0/92 payments in fiscal year 1992 and no deficiency certificates for succeeding payments.

RURAL DEVELOPMENT

Mr. WHITTEN. Mr. Secretary, on January 22 you held a press conference to announce the Administration's new Rural Development Initiative.

In reviewing the budget which was released one week later on January 29, we find the following cuts in rural development:

Rural water and sewer grants	–$109,000,000
Rural water and sewer loans	–80,190,000
Rural community facilities	–24,000,000
Rural electric and telephone loans	–1,594,325,000
Rural housing loans	–883,000,000

Other rural programs such as fire protection, low-income housing repair and other housing assistance programs are likewise significantly reduced. I would mention the prior Administration usually proposed to terminate these programs each year.

To what extent are you creating false hopes throughout rural America when you announce a new "Rural Development Initiative" and then one week later submit a budget that cuts all the programs?

Secretary YEUTTER. We are not creating false hopes, Mr. Chairman. We had some difficult decisions to make in meeting the budget targets imposed on us and we made them with the thought of continuing to provide assistance to those in greatest need. In addition, we have found some creative ways to assist those who do not need as much help. For example, we propose providing interest rate assistance on guaranteed loans so that these loans are more affordable and less direct loan assistance would be necessary.

Mr. WHITTEN. Where would rural America be today in terms of housing, water and sewer and other essentials if Congress had not restored these programs annually during the past decade?

Secretary YEUTTER. This Administration recognizes the importance of these programs in rural areas and this is reflected in our budget requests. The programs have addressed some very real social and public health needs, and in most cases, we are recommending that they be funded in 1991. However, we think some reductions in those programs can be made without seriously impeding the progress of Rural America.

CROP INSURANCE

Mr. **Whitten**. Over the past several years the Committee has been concerned with operation of the Federal crop insurance program. Your budget request appears to send conflicting messages to the farmer. On the one hand you request $314 million for administrative expenses and $286 million for the insurance subsidy, increases of 39 percent and 76 percent, respectively, and on the other hand you propose to terminate the insurance program.

When do you expect to submit your legislative proposal; will it be in time to let farmers decide what to do with their '90 crop?

Secretary **Yeutter**. Our proposal to substitute disaster payments for the crop insurance program would result in multi-peril insurance coverage terminating after harvest of the 1990 crop. No changes are proposed for the 1990 crop insurance program.

Mr. **Whitten**. How will it be handled if farmers sign up and then the program is later terminated?

Secretary **Yeutter**. An endorsement to the standard crop policy will be published in the Federal Register on February 28, 1990, indicating crop insurance coverage is subject to the availability of appropriations. The endorsement states that FCIC, like any other Federal agency, cannot operate without necessary funding. However, because the Administration has proposed to eliminate the program, producers need to be aware of the restriction.

GUARANTEED LOANS

Mr. **Whitten**. Mr. Secretary, you have been widely quoted as saying that losses on Farmers Home lending programs are out of control. This, in part, had led to the push by the Administration for more guaranteed lending. Losses in the farm lending programs, however, result to a large extent from the emergency loans, rather than from farm ownership or farm operating loans. The emergency loan program was set up a number of years ago by the legislative committees and bypassed the Appropriations Committees. In fact, when it was enacted, it was envisioned as a loan guarantee program but when implemented by the Department, it was carried out as a direct lending program. The program got so far out of hand that the TV show "60 Minutes" did a special on emergency loan programs in California. We directed the Department to write new rules and regulations for the program and a number of reforms were put in place. I think at this point in the record it would be well to bring forward a portion of our hearings that were held in March 1981 on the emergency loan program.

[The information follows:]

Part 5 of the Hearing on Agriculture, Rural Development, and Related Agencies for fiscal year 1982. (pages 870-874)

MR. WHITTEN. * * * But in the process, as I pointed out to you, we learn of the loans made in California, and I mention California only because that is where most of them were made, which to me certainly were not sound business. Those loans were not in line with the intent of Congress. Whether they are within the law, I have not made sufficient study to know. I do understand that the legislation that passed the Congress, which did not come from this Committee, put no ceiling or made no exception on these loans.

B&I STUDY

We have recently had a study made by the investigative staff of the Appropriations Committee. They paid particular attention to the B&I guaranteed loan program which has not been well managed by Farmers Home Administration. Some of the statements:

> The reported number of jobs has been grossly overstated. Many of the loans are in trouble. These potential losses which may total $400 million have not been reported to Congress.
>
> The investigative staff questions the desirability of continuing this program. The General Accounting Office and the USDA investigative general counsel and the investigative staff have found deficiencies in other aspects of the B&I program.

As we go through this we find more and more of that type of concern.

EMERGENCY LOANS IN CALIFORNIA

Do you have any comments? Well, take the California loans. I did not hear the "60 Minutes" program which went over the country and stirred up lots of people. I sent and got a copy of the recording and have had it played back to me. In a nutshell, the situation seems to be that people who are actually wealthy might lose on a particular operation and thereby go to the local FmHA office and borrow money for that particular operation at low interest rates, notwithstanding the fact that they are wealthy and have many other good properties and plenty of assets to have gotten the loans elsewhere.

Are you familiar with those cases?

Mr. **Calhoun**. Mr. Chairman, with your permission I would like to ask Mr. Moore, who works in that program area, to address that question.

Mr. **Whitten**. Be glad to have you answer, Mr. Moore. We would like to have listed in the record those cases by name that have been the subject of investigation or the subject of these reports and such others as you might have or know of.

Mr. **Moore**. Thank you, Mr. Chairman.

We have a person right in back of me, Mr. William Krause, Director, Emergency Loan Division, who is familiar with the California situation, has a detailed and intimate knowledge of the situation and with your permission I would like to call on him to assist in further answering that question.

Mr. **Whitten**. Is this going to get around to Mr. Dewhurst at the end of the table?

Mr. **Moore**. No, sir.

Mr. **Whitten**. He is a trouble shooter, we have heard.

Mr. **Krause**. Mr. Chairman, I am William Krause, the Director of the Emergency Loan Division, Farmers Home Administration. I am acquainted with the "60 Minutes" TV broadcast that you mentioned.

Mr. **Whitten**. What they said and from my own accounts the cases that they described seem to be accurate.

Mr. **Krause**. I would just like to point out that the Office of Investigation checked out those cases. I do not think that they found any of them were ineligible.

From what we know about them, the law did permit those loans to be made. The problem was that while some of them had sizeable assets, they lacked cash flow and were unable to get credit elsewhere that was needed to continue their farming operations.

Mr. **Whitten.** I was asked as chairman of this Committee, and all I could do is suggest to the Committee what it might wish to do, but I was asked to set up some guide rules or some standards. That was something for the legislative committee to consider and to fix into law. I met with representatives of that committee. I told them other than to exercise judgment that it was a job for them to do. In our conversations here we did urge caution even though the law permitted you to make the loans. I raise the question even if the law permitted it. Certainly there was no indication in the hearings here or elsewhere or in the floor debate that Congress ever contemplated your making loans of this magnitude.

Now, what the law permits and what Congress intends can be different things. You know we are also reading about escape clauses and what have you. Insofar as this Committee is concerned, we have not tried to write any escape clauses. The law came out of the legislative committee, and I would question whether they had any such intention that a wealthy man who happened to have a farming operation could get cheap money for it while at the same time he is making big money in other enterprises.

I would like you to describe each of the cases in the record that has been the subject of review and the conclusions that have been reached, if conclusions were reached.

[The information follows:]

The following is a description of each of the large EM loans audited in California as a result of the "60 Minutes" TV program:

CALIFORNIA LOANS

Name	Amount of loans made	Unpaid balance	Amount delinquent
John and Janet Boreta	$650,520	$643,300	$0
Rossi Brothers	24,182,550	12,880,057	1,114,321
Sigel Hoffman	10,739,737	8,064,402	4,082,908
Carmel Ranch	1,969,780	1,952,142	0
Phillip N. Jeffries	4,470,000	2,596,413	0
Nickel Enterprises	14,799,310	14,728,175	0

All loans were reviewed for graduation in March and April 1980. None were able to refinance completely. Phillip Jeffries received operating capital from the Bank of America for 1980 and 1981 operating purposes. Rossi Brothers received a commitment from the Bank of America to finance 1981 farming operations and FmHA has subordinated for this purpose. Sigel Hoffman Company is in the process of phasing down its operation. The remaining four loans are being serviced for collection purposes and will be reviewed for graduation in 1981.

POLICY CHANGES

Mr. **Whitten.** Have there been any changes in your policy?

Mr. **Moore.** I would like to comment on that, yes, sir. After the hearings last year in which you expressed your concern about those loans, we did implement changes in the regulations, which lowered the loan ceilings, and in 1980, no loan could exceed $1.5 million.

In fiscal year 1981 that has been reduced to a maximum of $1 million and in 1982, it phases down to a $500 thousand maximum.

Now, in addition to the changes made in the regulations, a law was passed by the Congress last year which set those loan limits in concrete, and starting in 1983, emergency loss loans only will be available, not to exceed $500 thousand.

We think, Mr. Chairman, that we have the necessary constraints now in our regulations to prevent a recurrence of situations as you have outlined.

Mr. Whitten. I wish you would include in the record an estimate as to what actions were taken and what course you have been following since then.

Mr. Moore. Yes, sir.

Mr. Whitten. Have you had any complaints from your own Inspector General or from the Office of Management and Budget since you changed your policy or regulations?

Mr. Moore. No, sir.

[The information follows:]

ADMINISTRATIVE CHANGES

The Administration and Congress met and agreed after the "60 Minutes" TV episode to administratively change the emergency (EM) loan regulations to prevent the making of multi-million dollar loans to large farmers and ranchers which the emergency loan program was not intended to serve. Accordingly, the emergency loan regulations (FmHA Instructions 1945-A and 1945-B) were revised and issued to our field offices on February 13, 1980. The major changes to these regulations:

(1) Require State Directors to review the Memorandum of Understanding between ASCS, FCIC, and FmHA with the State ASCS and FCIC Directors when disaster designations are made.

(2) Require State Directors to deploy Emergency Assessment Team(s) to monitor emergency loan processing activities in widespread disaster areas where a large number of EM loan applicants have been received.

(3) Require a qualified member of the National Office EM Loan Division to assist the State Director in conducting a 2-day training session with state, district and county employees when it is evident that a large number of farmers are affected by a widespread disaster in a state.

(4) Other actions that we have taken require the use of a "Comprehensive Emergency Loan Training Package" for use in training emergency loan writers.

(5) Establish a uniform 9-month termination date for receipt of applications for EM physical and production loss loans.

(6) Require EM applicants to apply at not less than 3 conventional credit sources when applying for loans of $300,000 or more. Form FmHA 1940-38 will be completed by all credit sources contacted for loans of $300,000 or more.

(7) Require EM loan applicants to pledge all of their assets when seeking credit from other lenders.

(8) Existing Memorandums of Understanding between FmHA and ASCS, have been updated.

(9) Further, we require an FmHA County Office employee to reverify SBA loan assistance received or to be received and reverify ASCS and FCIC disaster payments or benefits received or to be received for each EM loan applicant.

(10) Require all calculations for EM type loss loans to be checked by a qualified permanent or temporary member of the County Office clerical staff using a calculator with a paper tape.

(11) Provide added emphasis on the need to adhere to the "Loan Disbursement System" and "Supervised Bank Account System."

(12) We have reemphasized documentation requirements relating to the use of EM loan funds when conducting Farm and Home Planning, Supervision, and Servicing of EM loans.

(13) Require applicants to maintain proper recordkeeping systems which will provide the information required by FmHA and which will be monitored by FmHA for EM loans of $100,000 or more.

(14) The ceilings for EM actual loss loans are $500,000 per disaster designation for disasters occurring on or after October 1, 1978.

Annual production and major adjustment loans are limited to $1,000,000 principal balance authorized regardless of the number of disasters. A further sub-limitation setting a $300,000 maximum amount principal balance outstanding on major adjustment loans for refinancing debts on real estate is established within the $1,000,000 ceiling.

However, borrowers indebted for any EM loan purposes on December 15, 1979, may receive annual production loans in amounts necessary to continue their operation without regard to this indebtedness ceiling. This is in accordance with the Statute.

(15) EM loan applicants are prohibited from receiving FmHA EM loss loans assistance whenever the combined FmHA EM loss loan and SBA disaster loss loan assistance received for the same losses exceed $500,000.

(16) Graduation reviews are required for all insured EM loans during the third full year following the initial loan and every other year thereafter until graduation is achieved. However, individual cases can be reviewed at any time if it is determined that the borrower is in position to graduate.

(17) Other changes we have implemented require that the terms of EM (Subtitle A) loans for real estate purposes normally not exceed 30 years. In justifiable cases the terms may exceed 30 years but cannot exceed a maximum term of 40 years.

(18) Require the amount of EM loss loans to be limited to the actual dollar loss or the actual amount of essential family, farm, and nonfarm credit that the applicant needs to carry on normal operations, whichever is less.

(19) Require EM loan applicants to sustain substantial physical loss or damage in order to qualify for EM annual operating and/or major adjustment loan assistance based on such loss or damage.

(20) Revised the eligibility requirements and purposes for which EM loan funds can be used.

(21) Permit annual production loans to be made within 3 full calendar years after the disaster designation date for applicants not indebted for an EM loan on December 15, 1979.

(22) Imposed maximum loan ceilings on applicants involved in more than one operation.

(23) Prohibit applicants who own or control 50 percent or more of another farm operation from exceeding the limitations set forth in the instruction for their combined operations. Applicants who own or control less than 50 percent of another farming operation may receive separate loans not exceeding the loan limitations set forth in the instruction for each separate loan.

The primary purpose of these changes was to prevent duplication of disaster benefits, strengthen the "test for credit elsewhere" requirements for EM loans, emphasize graduation to other credit, require eligible EM loan applicants to dispose of nonessential assets to help meet their total credit needs and to limit the refinancing of real estate debts to a maximum of $300,000. The maximum EM loan ceiling was changed from $1,500,000 to $1,000,000 for all new applicants receiving EM loans after September 30, 1980.

In October 1980, Senate Bill 985 was enacted as Public Law 96-438. This law provides the necessary statutory authorities for the administrative changes previously made in the EM loan regulations. In addition, the EM loan regulations were further revised for clarification and to fully implement the insured loan authorities contained in this law as well as the applicable provisions of P.L. 96-302 which were enacted on July 2, 1980, amending the Small Business Act.

B&I STUDY

Mr. WHITTEN. I have before me as do other members a copy of the study by the Investigative Staff of the B&I loan program. You probably have not yet seen this particular study. It will be given to you and we will ask for your comments in the record. It may be that my colleagues here would have questions about particular parts of the study as we go along.

Mr. **Whitten**. What have been the losses on the emergency loans, both in terms of dollars and percent loaned?

Secretary **Yeutter**. I will provide that information for the record.

FmHA DELINQUENCY AND WRITEOFFS, FISCAL YEAR 1989

[Dollars in millions]

Type of loan	Loans outstanding	Amount delinquent	Amount of writeoff	Percent of outstanding
Emergency disaster	$7,683	$4,630	$1,424	19
Economic emergency	3,065	1,343	515	17
Farm ownership	7,046	628	320	5
Farm operating	5,229	1,349	798	15

INTEREST SUBSIDY ON GUARANTEED LOANS

Mr. **Whitten**. The budget proposes to provide an interest subsidy on guaranteed loans. Over the years Members, from time to time, have suggested the use of interest subsidies on guaranteed loans, but departmental witnesses have advised the Committee that interest subsidies would be totally unworkable.

In the mid-1970's this was a popular concept, but we were advised that it would create an accounting nightmare with costs far outweighing any potential benefit. Has this proposal been thoroughly analyzed from the standpoint of cost and the complexities of operation?

Secretary **Yeutter**. Yes, we have analyzed this proposal thoroughly. Cost estimates were prepared by FmHA and reviewed by both USDA's and OMB's budget staff. There were extensive discussions at the policy level as the proposal was being previewed. FmHA estimates the subsidy will average three percentage points, the difference between interest rates on regular direct loans and average rates charged borrowers for guaranteed loans. Over the life of the loans we expect the interest subsidy will total about $20 million for ownership loans and $13 million for operating loans. The amount of subsidy will be determined on a case-by-case basis and reviewed annually.

Reports by OIG and GAO have recognized the difficulty the agency has had in using guarantees to shift borrowers from the direct lending programs to commercial credit sources. However, lenders are now more familiar with the guarantee program than in the past, and the proposed interest subsidy will allow the borrower to shift from direct loans to private credit without assuming an overwhelming interest burden.

We believe the shift to guarantees will free staff years to work more effectively with remaining direct program borrowers. It does not cost any more to deliver the same amount of subsidy through the guaranteed program than through the direct program. The interest assistance program is not complex. The subsidy assistance program will reduce the interest rate on the guaranteed loan to the rate charged on the direct loan, if necessary, to help the borrower achieve a positive cash-flow.

FMHA SUBSIDY ON GUARANTEED LOANS

Mr. WHITTEN. When you say a subsidized guaranteed loan does not cost any more to make than a direct subsidized loan, how do you anticipate paying the subsidy? Will it be a lump sum payment up-front to the bank? Will it be a monthly check? How will it be handled?

Secretary YEUTTER. The subsidy will be granted on the basis of need. Regulations will be developed to establish a needs test. The subsidy will be continued only so long as the need continues based on an annual review.

For guaranteed farmer programs loans, subsidy payments will be paid on a claim basis at the end of each 12-month period during which interest assistance is granted. The lender will submit Form FmHA 1980-24, "Request for Interest Rate Buydown/Subsidy Payment to Guaranteed Loan Lender" at the end of each 12-month period to receive payment.

For guaranteed housing loans, FmHA will make monthly payments to the lender on behalf of the borrower on the payment due date. We envision that this payment will take place as an electronic banking transfer.

Mr. WHITTEN. What about the farmer whose bank is not interested in making a guaranteed loan?

Secretary YEUTTER. "Operation Assist" is another initiative used by FmHA to increase the effectiveness of the guaranteed loan program. FmHA staff will work up an application for the commercial loan and accompany the borrower to the private lender to help obtain a guaranteed loan. The guarantee will help the lender expand his business and provide protection against unforeseen repayment problems.

Mr. WHITTEN. What about small banks that have been told by their bank examiners to cut back on farm loans?

Secretary YEUTTER. Guarantees allow the lender to expand lending without significantly increasing risk. Under the guarantee program only the unguaranteed portion for the loan counts against the reserve requirements set by regulators. The guarantee may also facilitate sale of the loan in the secondary market and increase both the bank security and liquidity.

GOVERNMENT RISK

Mr. WHITTEN. The President's budget proposes to replace direct lending programs of the Department of Agriculture with loan guarantees in areas such as rural housing, rural electric and telephone, farm loans and rural development loans. To what extent are we creating the potential for a savings and loan type of crisis when we let private banks make loans guaranteed by the government?

Secretary YEUTTER. Mr. Chairman, I do not believe that we will see that type of problem with the programs that we are proposing. The banking industry has well established lending principles and financial criteria established by the Federal Deposit Insurance Corporation. In addition, our proposals require the banks to retain some exposure on the loans we guarantee.

FOOD STAMPS

Mr. WHITTEN. Mr. Secretary, for fiscal year 1990 Congress appropriated approximately $600 million more than the budget request because the request was clearly understated. The budget requests "such additional sums as necessary" for the remainder of fiscal year 1990. How short are food stamp funds for fiscal year 1990?

Secretary YEUTTER. At the present time, we estimate that funding needs beyond the current appropriation will be in the range of $375–$510 million.

Mr. WHITTEN. By what date will a supplemental need to be enacted?

Secretary YEUTTER. In order to avoid administrative actions required to reduce benefit levels and the accompanying uncertainties experienced by recipients, a supplemental should be enacted by mid-June. I should emphasize that we would prefer that such a supplemental be in the form of "such sums as necessary" rather than a specific amount, since our current estimates are preliminary and subject to change.

Mr. WHITTEN. Why was the President's request for fiscal year 1990 understated by almost $1 billion?

Secretary YEUTTER. Two factors contributed to this shortfall. First, participation had been estimated at an average of 18.1 million persons, based on past trends. Instead, preliminary 1990 data project an average monthly participation of 19.6 million persons. In addition, from 1989 to 1990 food costs rose by more than twice the increase projected in the 1990 budget. Maximum monthly benefits for a family of four—which incorporate the upward adjustment requried by the Hunger Prevention Act of 1988—increased from $300 in 1989 to $331, rather than to $315 as projected in the 1990 budget.

INTERNATIONAL TRADE

Mr. WHITTEN. Our current export programs are principally designed to reduce extraordinary surpluses of commodities or to target markets where there is unfair competition, as opposed to just selling competitively. What is USDA doing to prepare U.S. agribusiness for competition in an open, market-oriented, global economy?

Secretary YEUTTER. The Department has a number of programs, administered by the Foreign Agricultural Service, which are designed to help U.S. agribusinesses compete in open and fair markets. These include the Foreign Market Development Cooperator Program which suports long-term market development activities carried out in conjunction with nonprofit trade associations and four regional state organizations.

Another of these programs is called Agricultural Information and Marketing Services or AIMS, which is designed to assist exporters of agricultural commodities. AIMS provides trade leads based on inquiries from foreign buyers, it publicizes products offered by U.S. exporters to leading markets abroad, and it maintains a database on foreign buyers of U.S. food products as well as U.S. suppliers. Another AIMS activity is participation in trade shows where U.S. exporters can introduce and promote their products.

FAS has also recently ~~established a~~ Trade Assistance and Planning Office where businesses can request information on programs and services of the Department which can assist them in exporting agricultural products. Other services provided by this office include advice on specific trade problems, guidance on trade remedy laws, and foreign market analysis.

The programs to assist U.S. agribusiness compete are in place. What is needed is an agreement on reform of international agricultural trading practices which will improve market access for U.S. exporters and allow them to compete in world markets. This is what we hope to achieve in the Uruguay Round negotiations this year.

EUROPE 1992

Mr. WHITTEN. What do you envision will be the impact of 1992 on U.S. agribusiness?

Secretary YEUTTER. I presume you are referring to the European Community's initiative to create a single internal market by 1992. While the 1992 effort does not include a fundamental change in the EC's Common Agricultural Policy, legislation is likely to be enacted which should result in more uniform standards and reduced internal obstacles to trade in the food and agricultural sector. The manner in which these standards and regulations are harmonized will determine the net impact of the single internal market program on U.S. agricultural interests.

The Department is monitoring 1992 legislation closely to ensure that the EC does not raise new external barriers in the harmonization process to compensate member states that may be injured by the liberalized internal market in agriculture. To facilitate communications, the United States and the EC recently agreed to institute twice yearly meetings to discuss agricultural concerns related to the 1992 program.

As a result of the single market being established, U.S. producers may find they will have to adapt some of their products to meet the newly harmonized EC standards. The advantage will be that there should be one standard to apply, rather than twelve. In addition, an expanding EC economy, resulting from reduced internal barriers, should provide a growing potential market for U.S. agricultural products.

GATT

Mr. WHITTEN. I am certain you have in mind what you would like to see in the way of a GATT agreement under the Uruguay Round. Should that come to pass, would CCC's authority to sell in world trade at competitive prices be altered or prohibited?

Secretary YEUTTER. We have made proposals for agricultural trade reform which would provide for a phasing out of export subsidies. To the extent that export sales by CCC involve a subsidy, in order to be in compliance with such a GATT agreement they would be restricted as would similar activities by other official bodies, such as the Canadian Wheat Board and the EC intervention authorities. The exact terms of a GATT agreement must still be worked out, but we will not accept an agreement which places restrictions on the activities of CCC without placing similiar restriction on the activities of our competitors.

Mr. WHITTEN. Would you please summarize for the Committee the U.S. proposal for long-term agricultural reform submitted to GATT?

Secretary YEUTTER. The U.S. proposal calls for improved and strengthened GATT rules and disciplines in four areas—import access, export competition, internal supports, and sanitary and phytosanitary measures.

In the area of import access, the U.S. proposal incorporates the concept of tariffication. This involves the conversion [illegible] all current agricultural non-tariff import barriers into tariffs. These tariffs would then be reduced over time. We also propose to allow special safeguard measures during the transition period to protect countries against temporary import surges.

In the export competition area, the U.S. goal is to more effectively orient agriculture production to market forces by phasing out export subsidies and restraints. We propose that export subsidies would be phased out over five years. Export embargoes or restrictions would be prohibited beginning in 1991.

The United States also proposes the strengthening of GATT rules and disciplines covering internal agricultural support programs which cause trade categorization of support policies into three groups. In the first group are policies which distort trade the most; they are to be phased out over a ten-year transition period. The second category consists of policies which will be subject to strengthened GATT disciplines to prevent material injury or serious prejudice to trading partners. The third group consists of internal support programs, such as income support measures not tied to production or commodity prices, and programs such as research and extension which are not trade-distorting or are minimally so. These programs would not be subject to strengthened GATT disciplines or reductions.

Finally, in the area of sanitary and phytosanitary measures, the U.S. proposal would establish an international process for settling trade disputes involving food safety, animal health issues, and plant health issues. It would also promote the harmonization of international standards in this area. Plant, animal, and food safety policies would be established on the basis of sound scientific evidence and would recognize the principle of equivalency.

1990 FARM BILL—FLEXIBILITY

Mr. WHITTEN. You say production flexibility would lead to increased production of soybeans. Has the Department developed any estimates of the impact on soybean prices?

Secretary YEUTTER. The initial effect of production flexibility would likely be somewhat lower soybean prices because of acreage shifts from program crops—mainly corn—to soybeans. Longer term effects of the program on soybean prices will depend on the collective actions of producers in response to market conditions among alternative crops.

Mr. WHITTEN. What about total soybean acreage?

Secretary YEUTTER. Initially, total soybean acreage is likely to increase as a result of greater production flexibility. However, the amount of acreage ultimately devoted to soybean production will be determined by the producers themselves. Their decisions will depend on their particular situations and market conditions.

P.L. 480

Mr. WHITTEN. Please describe for the Committee what changes you feel should be made in the reauthorization of the P.L. 480 program.

Secretary YEUTTER. The Administration is undertaking an extensive review of the P.L. 480 legislation and program operations in order to identify measures that will improve the program. We are particularly interested in changes which will streamline the programing process. As soon as this review is completed, we will share the results and our recommendations with the Congress.

POLAND

Mr. WHITTEN. Assistance has been provided to Poland under the Food for Progress Program. Please describe what assistance to Poland has been provided.

Secretary YEUTTER. The President has announced that the United States will provide $120 million of food aid to Poland during fiscal 1990. Of this, $10 million of pork bellies have been purchased and shipped using Food for Progress authority. Approximately $50 million of corn will be provided under Section 416(b) authority of the Agricultural Act of 1949, and about half of this has already been shipped. We have also signed a $20 million P.L. 480 Title I agreement providing rice, vegetable oil, and cotton. These commodities will be shipped once purchase of the commodities has been completed.

In addition, we plan to provide $20 million of soybean meal under Food for Progress authority. The terms of this program are still being worked out with the Polish Government. Also to be settled are details on the remaining $20 million of food assistance which has been announced by the President. We are discussing this matter with Polish officials.

Mr. WHITTEN. What other USDA assistance has been provided to Poland and what is planned?

Secretary YEUTTER. The Polish Government has requested wheat from the United States and their request is under review. Also, last December, I signed a Statement of Intent with Minister of Agriculture Janicki and Minister of Rural Life Quality Balazs regarding cooperative activities in the agricultural sector. Under Secretary of Agriculture for International Affairs and Commodity Programs, Richard Crowder, was in Poland in early February and discussed the administrative aspects of the Statement of Intent, including formation of a Joint Monitoring Committee which will meet twice yearly. Initially, the following working groups are to be formed to carry out these cooperative activities—infrastructure, marketing and internal trade, production and extension, and Scientific Research and Development.

To begin implementing the Statement of Intent, an Extension Service team visited Poland in early February. The team collected information on the existing Polish extension service, the current agricultural production situation, the Polish agricultural banking system, and the need for inputs for the 1990 crop year.

EAST BLOC COUNTRIES

Mr. WHITTEN. What USDA assistance to any of the East Bloc countries has been provided and what is planned?

Secretary YEUTTER. Romania has requested commodity assistance, primarily livestock feed and dairy products. Presently, there is an acute shortage of dairy products, and the livestock industry is faced with a serious shortage of animal feed. We are reviewing how the United States can best respond to Romania's request for commodity assistance.

Mr. WHITTEN. Who determines who will participate in the various delegations or missions?

Secretary YEUTTER. The team I led to Poland last year was a Presidential Delegation, and members were chosen by the White House. With respect to the Department's activities carried out in accordance with the Statement of Intent with Poland, both government and private sector members of the delegations will be selected by their leaders. USDA agency administrators will serve as leaders of the delegations. The Under Secretary for International Affairs and Commodity Programs will approve all team members who have been nominated.

Mr. WHITTEN. Over the years, many of these types of missions have resulted in teaching our competitors how to compete with us or creating new competitors. How do you plan to assure that this does not happen?

Secretary YEUTTER. The major thrust of the Department's efforts in Eastern Europe is to encourage and promote the U.S. private sector to become active in Eastern Europe. With the present shortages in agricultural production and manufactured goods, these efforts to improve conditions in Eastern Europe are not expected to result in creating new and important competitors in the field of agriculture. Our efforts will be directed at areas of production that are essential to improving the domestic supply of basic foods and not at areas which could be competitive with U.S. production and trade.

FARM OWNERSHIP LOANS

Mr. WHITTEN. You are proposing to limit farm ownership loans to only disadvantaged applicants. What percent of your current farm ownership borrowers are in this category, you might indicate that both in number of loans and in dollars, for the record.

[The information follows:]

DIRECT FARM OWNERSHIP LOAN OBLIGATIONS, 1989

[Dollars in thousands]

Type of loan	Number of loans	Percent	Value of loans	Percent
Socially disadvantaged	168	14	12,379	13
Other borrowers	1,004	86	82,553	87
Total	1,172	100	94,932	100

Mr. WHITTEN. Do you have the legal authority to limit these loans to disadvantaged individuals, or would this require legislation?

Secretary YEUTTER. We are proposing legislation in conjunction with the 1990 Farm Bill which would limit direct ownership loans to socialy disadvantaged borrowers.

Mr. WHITTEN. How would you plan to handle the program if qualified applicants were less than the available loan level?

Secretary YEUTTER. The agency would attempt through all available means, including close cooperation with the extension service and other outreach programs, to encourage use of the program. Funds unobligated at the end of the year would lapse.

Mr. WHITTEN. You are proposing to limit guarantees for farm ownership loans to 15 years. Would this not tend to increase the payment to the point it would be unaffordable?

Secretary YEUTTER. The loan could be scheduled for repayment over a longer period of time. After 15 years, there should be less risk of repayment problems. We think most lenders will stay with these borrowers. If a lender does not want to continue with a particular borrower, the borrower should be able to obtain refinancing from another lender.

Mr. WHITTEN. I thought I might have Mrs. Smith take over.

Secretary YEUTTER. I would be delighted to have Mrs. Smith take over.

Mr. WHITTEN. Mrs. Smith?

Mrs. SMITH. Well, let me say first off how much we appreciate you being here and how much we appreciate the fact that you are our Secretary of Agriculture. I just want to remind everybody that Secretary Yeutter is from my district in Nebraska.

Secretary YEUTTER. Thank you.

Mrs. SMITH. We're all so aware of how hard you work, your efforts to build international trade and what a great job you're doing, not only for agriculture, but also for developing rural America.

Secretary YEUTTER. Thank you.

Mrs. SMITH. Also, we're aware that you have to fly down to Phoenix this afternoon to talk to the National Corn Growers, and that includes some of my corn growers, so I'm going to cooperate in helping let you go.

Secretary YEUTTER. Thank you, Mrs. Smith.

Mrs. SMITH. I noticed in the President's budget that he raises the agricultural and rural development and nutrition budget by a very austere $500 million. But, I noticed that in the food part of this budget there are a number of increases. However, the rural development and commodity programs are cut in many cases.

I want to ask, Clayton, do you feel that the funding levels in the President's budget are adequate, or would you want to comment on the reductions in spending that were requested by the Administration?

SPENDING PRIORITIES

Secretary YEUTTER. Well, it is an austere budget, Mrs. Smith. As you know, it has to be because of the requirements of Gramm-Rudman, in which I believe, and my judgment is that it is important to cut the Federal budget deficit.

If we don't, and we lose Gramm-Rudman disciplines, we're going to have inflation back again, interest rates are going to go up, and that's going to be very damaging to farmers.

Just to give you a feel for that issue, our economists estimate that every one percent increase in interest rates costs American agriculture about $700 million, so it doesn't take long for that bill to mount and cut back on farm income significantly.

So I hope we can win the battle of the deficit. The fact that we're in one and have to cut the deficit from $110 billion where it is now down to $64 billion in this budget means that something has to give, and certainly we're going to have to play our part.

Now, with respect to your specific question, though, I wish we could do more in rural development, because I think it's an extremely important program.

We can do more without spending more money simply by doing some things organizationally, doing a better job of coordinating within the Government, and getting better catalytic action out at the State level and down in those rural communities, and we're going to try to do all that.

We announced a Presidential Initiative a few weeks ago to contribute to that. As to whether we can or should go beyond that in terms of making additional capital available, obviously, if we had additional budget resources, we could use them there and use them efficiently.

But clearly, you know, we have to live within the constraints that exist. Food programs, of course, we cannot affect very much because food stamps are essentially an entitlement program.

Some of the other programs are also approaching being entitlement programs. We did make some changes in the school lunch program to try to be accommodating to our budget needs, but it's very difficult to trim back in the food program area.

In the income support area, which has had some attention here recently because of our farm bill proposals, we did trim back $1.5 billion from the fiscal year 1991 baseline, as you know, and the focus has been on that reduction.

But the fact is that we need to keep that in perspective, because if we compare actual expenditures of this fiscal year versus the coming fiscal year, we're going to have a little better than $2 billion more.

We'll spend about $8.2 billion this fiscal year on income supports, primarily deficiency payments; and, we'll have $10.2 billion next fiscal year, so it's about $2 billion more, even though it is below the baseline.

So I'd say we did reasonably well at a time of budget austerity. As I said to some of your colleagues in the House Agriculture Committee yesterday, that's a hard sell when you're in the middle of a budget debate and our colleagues say, "Well, we're going to give you $2 billion more for those programs than you're spending this year," and you say, "No, I want $3.5 billion more," and they're saying, "Well, we're cutting back all of these other folks in a variety of ways, and you want another $3.5 billion for agriculture." That's not easily done.

So we ended up with a $2 billion increase rather than the $3.5 billion increase. It would be good if we could have more, but those are difficult trade offs, and ultimately the President of the United States has to make them.

FEDERAL CROP INSURANCE

Mrs. SMITH. I understand. I wanted to ask you about where you say that we can't really have both Federal Crop Insurance and Disaster Assistance, and the President's budget recommended a drastic cut in Federal Crop Insurance.

But I believe I heard you say, Jack, and I heard Dick Darman say when I questioned him in the hearing the other day, that you would be ready to work with the Congress toward coming up with whatever would seem to be the best sort of program.

Would you tell us something about what modifications you had in mind that would make you feel that you could support continuing Federal Crop?

Secretary YEUTTER. We've looked at a whole host of those, Mrs. Smith, and I told the Agriculture Committee that we'd be glad to share with them all the work we've done thus far in this area.

We have not yet been able to come up with a solution that we believe is viable, that is, a solution that would get participation levels high enough that we can avoid ad hoc disaster programs without breaking the bank in the process.

The problem is how do we go from 50 percent participation levels, which is where we are now, up to, say, 80 or 90 percent without it costing a lot of money?

To do that as a voluntary program looks to me to be impossible. It seems to me that we will have to go to some mandatory features in crop insurance if we're going to achieve the necessary participation levels.

Farmers would prefer not to have mandatory programs, and I understand that, but my judgment is that we're either going to have to go to something with mandatory features so that we can get participation levels up and make this an economically viable program, or else we're going to have to abandon it and go to permanent disaster legislation.

We're willing to look at either option. We're willing to look at any imaginative ideas anybody else might have, because we want to get it fixed.

I'd be delighted if we could come up with a crop insurance program that will work. Farmers would probably prefer crop insurance to a permanent disaster program, if you took a survey.

But the question becomes how do we design a crop insurance program that will function? We don't have an open spigot, as you know, to pour millions of dollars into crop insurance.

If we pour millions more into crop insurance, then we're going to have to take it out somewhere else. If you ask a farmer are you willing to have your deficiency payments cut in order to finance a more lucrative crop insurance program, I suspect that most of your farmer constituents would say "No, I'd rather have it in deficiency payments than in crop insurance."

RAIL CAR SHORTAGE

Mrs. SMITH. It's very tough. We have a rail car shortage, which you know has been very bad in Nebraska, as well as in other States.

It has caused our grain prices to go down, and it's caused a real financial strain on some small operators. Now, as I have talked with officials of the railroads, they are saying that if our grain marketing program abroad could be adjusted, it could pretty well take care of the problem.

Is there anything that we could do that would alleviate the difficulties that we've been suffering the last few months?

Secretary YEUTTER. Well, my judgment, Mrs. Smith, is that it is beginning to clear up a bit now. Although it's easing slightly, it's still very serious.

It's very difficult for us to adjust the demands abroad because we don't make decisions for other countries. You know, they obviously make their own determinations as to when they want to buy and when they want to ask for a delivery, so that's not under our control.

We have to adjust as best we can, and sometimes this is difficult, because what typically happens is that everybody would like to wait until prices bottom out at a given point in time, and then they all want to rush in and buy, and they all want to immediately.

That's why you get cyclical usage of rail cars, and it is troublesome.

CCC REDUCTIONS IN PRESIDENT'S BUDGET

Mrs. SMITH. It's a very tough problem.

In questioning Office of Management and Budget Director Richard Darman about the President's budget recommendations, he stated that the $1.5 billion reduction in Commodity Credit Corporation funding for fiscal year 1991 could be achieved through various formulas.

Mr. Secretary, I am curious if the Administration favors achieving this reduction in CCC spending by lower target prices of program crops? Please explain what alternative cuts might be considered.

Secretary YEUTTER. Target price reductions, reductions in eligible acreage for program payments, further tightening of payment limitations, program yields, along with other alternatives developed with the Congress, could be used to meet the savings objective required in the President's budget.

Mrs. **Smith**. Will the Administration be making any specific proposals regarding the CCC reduction beyond the recently released 1990 Farm Bill recommendations?

Secretary **Yeutter**. We would prefer to work with the Congress in developing additional proposals that meet the necessary budget objective.

Mrs. **Smith**. Are the funding levels requested by the Administration adequate to support needed commodity and rural development programs? Please explain why reductions in spending have been requested by the Administration.

Secretary **Yeutter**. The program levels for both rural development and commodity programs are consistent with a fairly realistic assessment of relative needs. The proposed level of total program activity for rural development programs in fiscal year 1991 slightly exceeds the actual level of fiscal year 1989. Outlays for these programs are reduced in part by our proposals to make greater use of guaranteed rather than direct lending. So, by proposing some reforms, we hope to maintain realistic programs in the rural development area with modest direct outlays. The Administration suggests the $1.5 billion in savings in the commodity programs from the current law baseline in order to help meet the Gramm-Rudman deficit target. Even if the proposed reduction is achieved, net CCC outlays for fiscal year 1991 are currently projected to be about $2 billion above the level for fiscal year 1990.

I know this Administration is a strong advocate of better coordination and targeting of federal rural development dollars. And, as you also know, several rural development initiatives pending in Congress would seek to streamline or target federal rural development dollars to truly needy areas in rural America.

Mr. Secretary, if the Department of Agriculture, Commerce, Housing and Urban Development, Labor, Transportation, amongst other federal agencies, are able to streamline or target their rural development funds, would USDA then ask for a drastic decrease in appropriated rural development dollars, or would the Administration want to at least maintain current USDA rural development spending until the very pressing needs of rural communities and businesses are effectively addressed?

Secretary **Yeutter**. Mrs. Smith, I would anticipate that USDA would attempt to maintain current levels of funding for these programs. However, I would hasten to point out that the pressures of budget and deficit reduction may cause further reductions in these and other programs.

EC BEEF HORMONE

Mrs. **Smith**. Mr. Secretary, could you update the subcommittee on the developments that have occurred regarding the European Community's ban on U.S. beef? Has the U.S. beef industry been severely impacted by the European ban?

Secretary **Yeutter**. Over the past year, there has been some progress in the hormone dispute, primarily as a result of the May 1989 Interim Measure which allows U.S. producers to ship meat not treated with hormones to the EC, subject to EC certification. In 1989, the U.S. shipped approximately $4.5 million worth of beef and beef offals to the EC. As a result, we reduced the U.S. retaliation by removing canned tomato sauce and hams from the list of products subject to 100 percent ad valorem tariffs. We still maintain retaliatory tariffs on EC imports with a total value of $92 million. As trade increases, the retaliation list will be reduced accordingly. On that note, we have recently reached a tentative agreement with the EC to have dairy cow meat and offals included under the Interim Measure, subject to approval of the EC Standing Veterinary Committee in early March. It is still unclear what effect this agreement will have on the level of U.S. meant exports to the EC. In the meantime, the hormone ban continues to have a serious impact on U.S. meant exports to the EC, and exports to alternative markets have only partially offset the loss in sales to the EC.

Unfortunately, the large issue concerning the lack of scientific justification for the ban has not been resolved; and I do not foresee a resolution of this issue in the near future. As you will recall, the U.S. retaliatory actions became necessary when the EC repeatedly blocked U.S. efforts to have this issue resolved through the GATT dispute settlement process. There is still no active consideration in the GATT of this issue. We remain hopeful that the EC will eventually adopt policies to base all legislation on sound scientific evidence rather than public pressure, in line with its GATT commitment to raise barriers to trade only as necessary to protect public health.

SUGAR PROGRAM

Mrs. SMITH. Currently, the U.S. is reviewing various proposals to modify the present U.S. sugar program in accordance with a GATT finding. Is the Department continuing to work with the sugar industry and the Trade Representative's Office on such modification? What proposals are being considered? When might any modifications be implemented?

Secretary YEUTTER. At the outset, it should be noted that the Panel findings do not obligate us to change the overall domestic sugar program—the Panel recommended absolutely nothing about our domestic price support legislation. Instead, the findings are directed exclusively at our sugar import quotas. They recommend that we either eliminate the quotas entirely or bring them into conformity with the GATT. This is something which can be accomplished without new authority from the Congress.

To bring our import regime into conformity with the GATT, we can use Section 22 authority to establish import quotas or import fees, or we can establish a tariff-rate quota in lieu of the existing absolute headnote quotas. We have not yet made a decision on this matter, nor is there a specific deadline we must meet in making a decision. However, as a result of the Panel findings, we are obligated within a reasonable period of time to bring those quotas into compliance with the GATT.

We have worked closely with the Office of the U.S. Trade Representative in developing these alternatives and will continue to work closely with them in the coming months. We have also taken steps to make sure that the domestic industry and the Congress are well aware of the alternatives under consideration.

GENERAL AGREEMENT ON TARIFFS AND TRADE

Mrs. SMITH. Mr. Secretary, could you update the subcommittee on the progress being made on agricultural issues in the Uruguay Round? Have these negotiations been successful thus far? Do you foresee success?

Secretary YEUTTER. In the little more than three years that the agriculture negotiations have been underway, significant progress has been made. Starting with the tabling of the U.S. negotiating proposal in July 1987, other members of the agricultural negotiating group—ANG—were put on the defensive to develop their own proposals. By that year's end, a total of six negotiating proposals had been submitted by the U.S., the EC, the Cairns Group, Canada, Japan and the Nordic countries, respectively.

During 1988, working groups were established to examine aggregate measures of support and alternatives for dealing with the technical and data problems inherent in these measurement devices. Discussion papers were also presented in the negotiating group addressing issues such as decoupling, special and differential treatment for developing countries, and harmonization of sanitary and phytosanitary regulations.

With the submission of more detailed proposals by the end of 1989 by all of the major members of the agriculture negotiating group, the ANG completed the 1989 work program it established for itself in the April 1989 Mid—Term Agreement.

Beginning this year, we are now in a more intensive phase of the negotiations. The most recent formal meeting of the Agriculture Negotiating Group was February 12-16 in Geneva. We expect the group to meet frequently, both formally and informally, over the next 10 months. The target for concluding the negotiations is the first week of December 1990, at a Ministerial level meeting in Brussels. We are optimistic that a multilateral agreement can be achieved in these negotiations that will lead to a market—oriented world trading environment which will greatly benefit U.S. agriculture.

USDA APPOINTMENTS

Mrs. SMITH. Last year, Mr. Secretary, when you appeared before this subcommittee, many questions regarding the appointment of top USDA official were raised. As you recall, concerns about the number of vacant positions are high. Realizing the importance of an effective and professional USDA staff would you update us on the progress made in filling positions? Do many positions remain open or vacant?

Secretary YEUTTER. I am pleased to report that all of the Under and Assistant Secretary positions have been confirmed except for the Assistant Secretary for Natural Resources and the Environment. Also, the major positions on my immediate staff are filled. The other presidential appointee positions tha thave not been confirmed include the Administrators for the Rural Electrification Administration, Farmers Home Administration, and Federal Grain Inspection Service (FGIS) and the Inspector General.

Mrs. SMITH. If so, should we expect announcements regarding these positions in the future?

Secretary YEUTTER. We have sent nominations to Congress for the Inspector General and the Administrator positions for the Farmers Home Administration and the Rural Electrification Administration. We plan to have nominations for the remaining vacancies soon.

Mrs. SMITH. Among the initiatives included in the President's budget for fiscal year 1991 is the continuation of the water quality program funded last year by this subcommittee. Mr. Secretary, would you please explain to the subcommittee the importance of this program, the successes of the current program, and why the funding requested is needed?

Secretary YEUTTER. Our approach in the water quality initiative is to perform research and offer education, technical assistance and limited financial assistance to provide the basis for voluntary adoption by farmers and ranchers of improved management practices. It is critical that we be in a position to offer techniques which are not only environmentally sound, but are also profitable in the short and long term. We are in a position to begin education and technical assistance projects based on the findings of past research, but we need to develop a research base which supports additional technical assistance efforts. The program is just getting underway this year, so actual results to date are limited. But, I am pleased to report that we have selected 37 hydrologic units for intensified technical assistance efforts and we are reviewing details of eight demonstration projects. In addition, I want to emphasize that we are working very closely with EPA, Interior and Commerce agencies and I can report that our researchers will be co-locating some research sites with the other agencies.

Our 1991 funding would allow us to move ahead with additional research in understanding the movement of chemicals in groundwater and developing improved management practices. A strong focus is also proposed so that we can move aggressively ahead in providing education and technical assistance to producers.

Mrs. SMITH. Are we making true efforts in improving coordination, information gathering and study of this most serious problem?

Secretary YEUTTER. I feel comfortable with the initial indications of progress in implementing the programs and the process which we have established within the Department to assure coordination internally and with the other Federal agencies. I have appointed Harry Mussman, the Deputy Assitant Secretary for Science and Education to be Chariman of the Working Group on Water Quality. This committee is reviewing USDA's policies on water quality, coordinating water quality programs within the Department and with other Federal agencies, and will be providing updates on the status of programs in this area.

1990 FARM BILL—FLEXIBILITY

Mrs. SMITH. Mr. Secretary, over the last years farmers in my district have voiced support for greater flexibility in the 1990 Farm

Bill. They wanted to be able to implement better rotation and conservation practices without being forced to farm according to the dictates of federal farm programs.

Mr. Secretary, I commend you for listening to farmers' calls for greater flexibility. The recommendations for the 1990 Farm Bill put forth by the Administration unveiled a program that would allow farmers to plant those crops they deemed most beneficial and appropriate for their operation. I am very pleased to see that farmers have a Secretary of Agriculture who listens to their concerns.

However, many farm groups have reviewed your proposal for increasing farmer flexibility in the 1990 Farm Bill and are concerned that it decouples federal farm programs and actual production. In addition, many farmers are concerned that the Administration's proposal would give an unfair advantage to producers who have limited cropping options at a disadvantage.

Mr. Secretary, how would you respond to these potential problems? How do you think Congress could modify your proposal to create a more equitable, yet market-oriented farm program in the 1990 Farm Bill?

Secretary YEUTTER. The Administration's proposal for greater planting flexibility is designed to foster a more equitable and market-oriented U.S. Agriculture. The proposal cannot be characterized as "decoupling" because, in general, program benefits are still determined based on planting decisions made by farmers and farmers' options are still somewhat limited if they wish to qualify for full benefits. By contrast, under decoupling, the choice of crops to plant is critically unlimited, the payments are set in advance and are not affected by the plantings, and program crops produced do not always qualify for price support loans.

Producers who have limited cropping options would not be placed at a disadvantage because of planting flexibility. They can enjoy many of the same benefits as others with more diversified farms through the ability to increase or decrease planting of any crops within the Normal Crop Acreage, by increasing the use of crop rotations and improving conservation practices.

Furthermore, producers who do not change their cropping pattern for program crops under flexibility would continue to enjoy the same income protection that they do now under the target price and deficiency payment mechanisms.

Farms with large bases should have no more of an advantage under flexibility than they have under present legislation. Although larger farms tend to receive larger government payments, they would also be required to idle larger amounts of land.

TARGET PRICES

Mrs. SMITH. Mr. Secretary, Congress is struggling with the issue of appropriate target prices for program crops in the 1990 Farm Bill. As many people have publicly noted, the Administration's proposal did not contain a target price recommendation. However, many commodity organizations are recommending that target prices be frozen at their 1990 levels with future upward adjustments based on inflation.

Assuming this proposal could be implemented within budgetary limitations, would you support such provisions?

Secretary YEUTTER. Target prices, program yields, acreage bases, payment limitations and a host of other agriculture policy tools work together and have a combined effect on the policy and budgetary outcome of farm legislation. Therefore, target prices cannot be examined in isolation from other policy tools. We will work closely with Congress to achieve common policy and budgetary objectives.

LOAN RATES

Mrs. SMITH. Mr. Secretary, some individuals believe that the Findley Amendment should be repealed—eliminating your discretionary authority to decrease loan rates by an additional 20 percent in a crop year.

What would be the effects of repealing the Findley Amendment? Specifically, how would this revision affect farm incomes, federal government costs and international trade competitiveness?

Secretary YEUTTER. The proper role for the commodity loan program is to be a market of last resort. Lower price support rates helped to increase exports and regain our share of world markets. One study concluded that use of the Findley Amendment with regard to wheat and feed grains increased exports by about 25 percent in recent years. These higher exports, in turn, contributed to the record farm income and lower CCC outlays in recent years. In the early 1980's high price support rates for most commodities, which generally exceeded their world market prices, sent signals to domestic producers to increase production. More expensive than their foreign counterparts, U.S. commodities became less and less competitive in world markets and their share of world trade began to shrink.

Repealing the Findley provision or raising price support rates would reverse the course set in the Food Security Act of 1985 toward market-oriented price support rates which do not hinder international competitiveness. Increased price support rates likely would decrease exports. By taking such a step, we would be signaling our competitors that we are reversing course on our commitment to regain market share. We would also be signaling taxpayers that the $80 billion we have spent under the 1985 Act to make U.S. agriculture more market-oriented was in vain. Also, if higher price support rates lead to higher acreage controls farm income will likely fall.

FARMER-OWNED RESERVE

Mrs. SMITH. Mr. Secretary, you have proposed a number of modifications to the Farmer-Owned Reserve program including a reduction in the length of contracts from three to five years to no longer than 12 months.

What effects will such changes in the FOR have on farmers' income and federal government expenditures?

Secretary YEUTTER. The revised Farmer-Owned Reserve—FOR—program will provide price support when prices are low, and thus achieve some price stabilization, help assure commercial availability of stocks, avoid USDA micromanagement of the grain market and reduce market uncertainties. The FOR program has become increasingly complex, costly and difficult to manage and needs to be simplified, made more predictable and aligned with underlying market conditions.

The FOR has aided in the build-up of excessive and burdensome stocks, which hanging suspended over the market, eventually lowered commodity prices. These stocks, in turn, proved costly and dificult to eliminate without serious market disruption. Over time, the FOR has become a plethora of trigger prices, entry and exit decisions, storage payment rates and interest charges. It is questionable whether the benefits of the program justify the costs.

In the short-run, the proposed changes in the FOR will have little or no effect on farmers' incomes and CCC outlays. In the longer-run, farm prices are expected to be higher and outlays lower.

Mrs. SMITH. Would you support revision of the FOR to better equalize the storage rates paid to farmers versus those paid to commercial elevators?

Secretary YEUTTER. I do not support revising the FOR to equalize the storage rates paid to farmers with those paid to commercial elevators, because the underlying objective of FOR storage payments is different from the storage payments made to commercial warehouse.

The Commodity Credit Corporation—CCC—pays producers 26.5 cents per bushel per year for grain stored in the FOR. This payment is intended to provide an incentive to producers to participate in the FOR and was never intended to cover warehouse storage costs. On farm storage costs average about 20 cents. The Uniform Grain Storage Agreement—UGSA—rates paid to commercial warehouses, which vary from a low of about 22 cents per bushel to an absolute high of 40 cents per bushel per year, are established by a bid system and reflect State average rates.

Mrs. SMITH. Mr. Secretary, you have proposed that the CRP be retargeted to address water quality goals and retain the goal of 40 million acres for total enrollement. How many acres of cropland do you estimate present water quality problems for the general public, including the farmers who live on affected areas?

Secretary YEUTTER. At this time it is difficult to provide a precise figure as to the number of acres of cropland that present water quality problems. Many of these acres will be identified in plans developed by States under requirements of Section 319 of the Water Quality Act of 1987. The Department's 1990 Water Quality Initiative, which will be targeted toward these areas, will provide farmers and ranchers with the information they will need to voluntarily adopt improved, environmentally sound management practices that do not hamper profitability. Through a retargeting of the CRP, which will work in conjunction with the Water Quality Initiative and ongoing programs, we hope to encourage producers to reduce cropping on lands where pollution of ground water is a serious problem.

Mrs. SMITH. What are your current plans for the CRP during 1990? Do you expect to offer any additional CRP signup periods before a possible passage of the 1990 Farm Bill in August?

Secretary **Yeutter**. The Administration intends to enroll at least 40 million acres by the end of the 1990 crop year. Between then and now we anticipate that Congress and the Administration will work together to develop a new farm bill which we believe will include CRP-style conservation and environmental provisions. Rather than pre-empting consideration of improvements to the program by using at present all of the money made available for the CRP, we are opting to preserve the funds pending consideration of the new farm bill. If the CRP is retargeted, the funding will be available. However, if no changes are made to the CRP, the Administration will proceed to enroll as many acres as available funds and interested applicants will permit.

Mrs. **Smith**. Mr. Secretary, I am aware that the Office of Management and Budget determined last year that rental payments under the CRP are subject to sequester under the terms of the Balanced Budget and Emergency Deficit Control Act of 1985, yet the Department was able to fulfill their annual contractual obligations. If President Bush is forced to issue a final sequestration order again in 1990, do you expect OMB to make the same determination? If so, do you expect the Department of Agriculture to have adequate unobligated balances from fiscal year 1990 to fulfill CRP rental payment obligations?

Secretary **Yeutter**. It is the Department's position that all CCC contracts, including CRP contracts, are not subject to a sequester order if they are executed prior to the issuance of such an order. We have also taken the position that CCC contracts in excess of one year, such as the CRP contracts, are not subject to a sequester order.

FOOD SAFETY

Mrs. **Smith**. Mr. Secretary, recent news media hype has brought forth some people who advocate the total elimination of agricultural use chemicals without any cost-benefit analysis to protect public safety. The fact that the lifespan of the average individual has increased from 47.3 years in 1900 to 74.7 years today—due largely to the increased quality, quantity, and variety of our food supply—does not make for headline news. No one appears to notice that the risk from consuming all major pesticides in a typical diet is thousands of times less than the risk of natural carcinogens in beer, wine and cola drinks, or that 99 percent of all the pesticides we ingest are naturally occurring pesticides. Mr. Secretary, if a "no risk" rather than a "negligible risk" standard were implemented, what would be the effect on agricultural production, food prices and nutrition for poor and needy families, net farm income, farm program expenditures, and international trade?

Secretary **Yeutter**. The Administration is very concerned about the potential economic impacts of eliminating the use of pesticides on farm income, food prices and nutrition for the poor. The President's Food Safety Plan would eliminate the Delaney Clause regarding zero risk and replace it with the concept of negligible risk. We simply must rely on good science to assess the benefits of using pesticides along with their risks.

Mrs. SMITH. Mr. Secretary, I believe that farmers and ranchers have been some of this nation's best environmentalists—long before it became fashionable in the news media to be an environmentalist. Understanding that farmers and their children are more directly affected by agricultural chemical use than any other segment of our society, what possible incentives could farmers to apply any more agricultural chemicals than are absolutely necessary?

Secretary YEUTTER. I certainly agree that farmers and ranchers have generally recognized their role as stewards of our natural resources and acted responsibly in preserving the quality of those resources. Education and technical assistance programs operated through the Extension Service, the Soil Conservation Service and other agencies have provided information for producers to act in the most responsible manner. We believe that producers are interested in learning about new management practices which can minimize the environmental impacts of chemical inputs. It is this belief that forms the basis for our reliance on voluntary approaches through our water quality initiative. Unfortunately, some requirements of the current commodity programs which provide an incentive to maintain base yields may lead to management decisions which favor higher yields than would be the case in a more flexible setting. Managing for the highest yield and little use of rotations can result in increased chemical inputs. Our 1990 farm bill proposals to provide more flexibility in planting decisions would help to correct this situation.

AGRICULTURAL COMMODITY RESEARCH

Mrs. SMITH. Mr. Secretary, in the Administration's 1990 Farm Bill recommendations, you have proposed that research and development of industrial uses for agricultural commodities be encouraged. I have long been working to bring greater attention to the development of industrial uses of agricultural commodities. In the 100th Congress I introduced legislation, H.R. 1197, aimed directly at finding new uses for agricultural commodities, and on the first day of the 101st Congress, introduced H.R. 47, to continue those efforts. Mr. Secretary, I welcome your support for focusing more attention on this subject. How would you change current policy or programs to provide for the enhanced development of industrial uses of agricultural commodities?

Secretary YEUTTER. We believe it is important to highlight in legislation the priority for research on new uses for agricultural commodities. This will bring more attention and increase the commitment of the research community to focus on this important work and use the authorities available under other laws to encourage the commercialization of products and processes which result from this research.

Mrs. SMITH. Would you oppose the creation of an independent organization comprised of public and private sector representatives under your direction designed to specifically address the development of industrial uses for agricultural commodities?

Secretary YEUTTER. I do not favor the creation of additional administrative units to address the development of industrial uses for agricultural commodities. Existing organizations are in place to conduct the research and work with the private sector to assure the ultimate commercialization of the research. We would continue to rely on ongoing advisory groups, such as the Users Advisory Board and the Joint Council to help in identifying priorities for the research.

FOOD AND AGRICULTURE ORGANIZATION

Mrs. **Smith**. It is my understanding that the United States is in arrears in its payments to the Food and Agriculture Organization—FAO. If this goes on much longer, I am informed that the United States may lose its seat in the FAO. What is your view about this, particularly at this crucial time in the Uruguay Round GATT negotiations, and the impact it could have on the United States because of the important role expected to be played by Codex Alimentarius?

Secretary **Yeutter**. The Department places considerable value on a broad range of programs performed by FAO, and we hope FAO can assist us in meeting our objectives for the Uruguay Round. The Codex Alimentarius Commission (CODEX) and the International Plant Protection Convention (IPPC)—two subsidiary bodies administered and staffed by FAO—will be crucial for implementing measures as the United States has proposed. U.S. participation in these organization allows us to participate in the establishment of the scientific and technical guidelines upon which the new GATT system will rely.

FAO makes other contributions as well. It provides a means for an international response to problems that have no geographical boundaries, such as the recent outbreaks of locusts and screwworms in Africa. In the 1970s, FAO helped prevent the spread of African Swine Fever from the Caribbean into the United States, preventing hundreds of millions of dollars in losses to U.S. pork producers. FAO's database provides indispensible aid to investment, production, and trade expansion in all agricultural, fish, and forestry products. Its Forestry Department provides leadership on world forestry and is a unique source of statistics on forests and forest products worldwide.

FAO's technical expertise and ability to operate in virtually every country is unique and cannot be replicated by other organizations. The Department strongly favors continued U.S. membership in the FAO.

With respect to our payments, the $18 million transferred to FAO last December—out of a total assessment of $60 million—protects our vote in the Council through 1990. However, we will lose our vote in the Council in 1991 if we are more than two years in arrears at the beginning of 1991. To prevent this, we will need to pay FAO about $65 million prior to December 31, 1990. Otherwise, we will lose our vote at the November 1991 FAO Conference unless we can demonstrate our failure to pay is beyond our control.

Mr. **Whitten**. Mr. Akaka?

Mr. **Akaka**. Thank you very much, Mr. Chairman.

Secretary Yeutter, welcome to the hearing here.

Secretary **Yeutter**. Thank you.

Mr. AKAKA. I want to begin by thanking you for permitting your Deputy Secretary, Jack Parnell, and Dr. Plowman to come out to Hawaii and help in the dedication of that new facility.

I tell you we're honored to have them out there, and the people in the program were also honored, and I want to thank you for that.

Secretary YEUTTER. Thank you. Mr. Parnell takes all the tough trips.

Mr. AKAKA. I was going to say he made a huge sacrifice. In all seriousness, you know the importance of that facility and what it means to American agriculture, so we're happy that it's moving along well.

Because of their presence, we had a great beginning and a right beginning.

Secretary YEUTTER. We congratulate you.

SUGAR PROGRAM

Mr. AKAKA. Thank you very much. Our country holds a prominent place among the sweetener producing nations, and Hawaii is a leader in this area.

We know that the United States is considered to be the sixth largest producing nation in sugar, and Hawaii is the second largest among the States.

The European community is the leader in sugar right now, but if you add corn sweeteners to that, then the United States is the largest.

So, quickly, that's the picture we're looking at. Also, we look upon sugar as contributing vitally to our economy, to the tune of about $18.5 billion, so sugar has been a huge help to our country.

People don't know that sugar has been cultivated in Hawaii for 155 years. Since the Chairman gave you a bit of history, I should tell you that sugar was the basis upon which Pearl Harbor was finally established for the military out in the Pacific, so that all ties in together.

But sugar has made a great impact in our economy of Hawaii and for our Nation, also. Besides the $18.5 billion in revenues, there are 361,000 full time jobs associated with sugar so we gain much as a Nation.

Despite all the good news, though, there are some misconceptions about sugar. One is that the United States is a high cost producer of sugar and sweeteners by world standards.

That's not true. Your Department has determined that as far as beet sugar is concerned we're the seventh most efficient of the 31 beet producing countries, and cane sugar producers rank 33rd among the 61 producing nations.

The USDA has also identified U.S. corn sweetener production, which now constitutes more than half of the U.S. caloric sweetener consumption, as the lowest cost in the world.

As you can see, the point I want to make is that U.S. producers are not high cost.

There may be some members of Congress who believe that the program should be eliminated. I strongly believe that we should keep that program.

Furthermore, the large majority of our colleagues did vote for it in the farm bill the last time around. Your farm bill proposal does not seek substantive changes in our sugar loan program, and I endorsed your farm bill request.

My question is can I assume from your proposal that you find the U.S. sugar program fair and appropriate in light of the current U.S. and world costs of production for sugar?

Secretary YEUTTER. Well, I'd like to answer this way, if I may, Mr. Akaka. The decision not to incorporate sugar in our farm bill proposal was a deliberate one because we certainly do not see the merit in making changes in that program this year.

As you well know, sugar is on the negotiating table in the Uruguay Round in Geneva, and if there are to be changes in our program, they ought to be made next year in the aftermath of any agreement that might be reached in Geneva and on the basis of our being satisfied that other folks are going to make appropriate changes in their sugar programs as we're going to make appropriate changes in ours.

Mr. AKAKA. I like that they should make changes in theirs, also.

Secretary YEUTTER. Yes. As you well know, there are lots of distortions in the world sugar market today. Distortions caused by a lot of countries, particularly the European community through their export restitution programs.

But, whatever the cause of the existing distortions, the place to fix those is in the Uruguay Round because it's a multi-national, multi-lateral problem.

It's not a U.S. problem versus any given country in the world. If we're going to reform sugar programs internationally, we need to reform everywhere.

We need to go down the reform road together. The sugar industry people that I talked to believe they can compete on a level playing field, and those figures that you've just cited would indicate that they can do so.

I suspect they can become more efficient if we have a level playing field internationally than they are today. So I think we'll do fine if we see some emergence of significant reforms in sugar.

But I promised those folks over and over again that we would not unilaterally disarm, and I meant that when I said it during my tenure as USTR, and I still mean it, and I know that Ambassador Hill shares that view.

RESPONSE TO GATT RULING ON SUGAR

Mr. AKAKA. In June of last year, Mr. Secretary, the GATT panel ruled that the authority by which the United States administers its sugar quota violates the prohibition against quantitative restrictions on trade.

One thing I want to emphasize is that it was the head note authority, and not the sugar program itself, that was found to be in violation.

Nonetheless, we have an obligation to bring our import restrictions into conformity with GATT. Do you feel, Mr. Secretary, that sufficient authority exists to respond to the Australian complaint administratively, using authority which you currently have at your disposal, or will you require new authority from the Congress?

Secretary **Yeutter**. We probably will not need new legislative authority, Mr. Akaka. There are a number of ways in which we can change the program to bring it into compliance with the GATT rules, some of which would require legislation, some of which would not.

We have not yet made a final decision on which route we would prefer, but my personal judgment is that we will likely select a route that would not require legislative action. If that changes, we'll obviously advise you.

Mr. **Akaka**. Do you intend this also to remedy the head note quota problem in order to respond to the Australian complaint?

Secretary **Yeutter**. Yes. We must do that, of course, and we have indicated to our Australian counterparts that we would do so.

We have not indicated with precision our time table for bringing the U.S. into compliance with the GATT, but we'd like to do it relatively soon, because we've recently won a number of GATT cases against other countries, and we'd like them to begin to come into compliance with GATT rules.

They're not likely to do so if we're not complying with GATT cases that have ruled against us.

COMMON MARKET SUGAR SUPPORTS

Mr. **Akaka**. One last question. Yesterday, I participated in a hearing before the Ways and Means Subcommittee on Trade, and the subject of this hearing was sugar.

At that hearing, we heard testimony from Deputy U.S. Trade Representative Julius Katz. He was very candid in his characterization of the European economic community's sugar program.

Quickly, here's how the E.C. supports sugar, according to him. "One, the EC encouraged domestic production through high internal support prices.

Two, the EC virtually prohibits imports through the use of a variable levy. Three, the EC provides subsidies for a substantial quantity of exports.

Four, as a consequence of these policies, the EC has moved from being a net importer of one million tons of sugar in 1970 to being a net exporter of 3.2 billion tons of sugar in 1980."

Mr. Secretary, given the outrageous policies of EC, do you agree that there is no reason for the United States to change the basic structure of its sugar program until the common market agrees to reform its program?

Secretary **Yeutter**. Yes, I do agree, not only because of the shortcomings of the European community's program, but because of shortcomings of some other nations, as well.

Our own sugar program has been challenged by sugar producing nations, such as some of those in the Caribbean and the Philippines and elsewhere, because we've reduced our own import quotas on sugar through the years, too.

So we're under some criticism, the community is under even more criticism than we are, but certainly, as I stated earlier, if there are to be changes, the changes should come through commonality of approach, and the proper place to have that occur is in the Uruguay Round.

Mr. AKAKA. I would be interested, finally, Mr. Secretary, you mentioned that there are some nations, and if I can have the names of those nations——

Secretary YEUTTER. That are distorting the sugar market internationally?

Mr. AKAKA. Yes.

Secretary YEUTTER. All right. We'll be glad to give you our views on that. It probably includes most everybody.

[The information follows:]

COUNTRIES WITH TRADE DISTORTING SUGAR POLICIES

Becauses the so-called world market is actually a residual market, there would be a tendency for its prices to be less than many countries' production costs, particularly during periods of excess supply on that residual market. At today's world market price of about 15 cents per pound (about $330 per metric ton, f.o.b. raw value), the following countries would face a world price on the residual market which is less than their production costs (excludes the United States):

CANE PRODUCERS

Bangladesh
Cameroon
Guyana
Japan
Papua New Guinea
Sudan
Venezuela
Barbados
China
Indonesia
Madagascar

Paraquay
Taiwan
Vietnam
Belize
Congo
Iran
Nicaragua
Peru
Tanzania
Bolivia
Costa Rica

Ivory Coast
Pakistan
Reunion
Uganda
Brazil
Guadeloupe
Jamaica
Panama
Sri Lanka
Uruguay

BEET PRODUCERS

Austria
Czechoslovakia
Greece
Japan
Spain
USSR
Belgium
Denmark
Hungary

Morocco
Sweden
Yugoslavia
Bulgaria
Finland
Iran
Nethelands
Switzerland
Canada

France
Ireland
Poland
UK
China
East Germany
Italy
Romania
Uruguay

At lower world prices, such as those under three cents per pound of five years ago, all countries would face world prices below their production costs.

Mr. AKAKA. Describe in complete detail the various options which the administration has at its disposal to remedy the Australian GATT complaint using currently available authority. In the course of describing these authorities, identify the advantages and disadvantages of using each option.

Secretary YEUTTER. By Presidential Proclamation, we can establish an import regime of fees or quotas under the authority of Section 22 of the Agricultural Adjustment Act of 1933, as amended, and we can establish a tariff-rate quota in lieu of the current absolute quota under the authority of Additional U.S. Note 2 to Chapter 17 of the Harmonized Tariff Schedule of the United States (the "sugar headnote authority").

Under the authority of Section 22, we can establish import fees or import quotas, but cannot implement both concurrently with respect to the same article. Fees are limited to no more than 50 percent ad valorem. Quotas can be set at no less than 50 percent of the level of imports during a "representative period."

There is no precise definition of "representative period." However, this phrase is usually interpreted to refer to a period characterized by relatively free trade, in the absence of restrictive import quotas. In the case of sugar, this period includes the years 1975–1981. In fact, the actions we have taken on sugar, both under Section 22 and under the sugar headnote, have used this period or some subset of it as the representative period. On that basis, a Section 22 import quota on raw and refined sugar would be in the vicinity of 2.4 million short tons, raw value. Such a quota likely would result in imports increasing the supplies on the domestic market to a level that would exceed domestic needs and result in acquisitions of sugar by the Government.

Section 22 fees currently could be at a level which provides full border protection—import prices could be prevented from undercutting the domestic support price. However, our experience with such a fee system is that it cannot assure full border protection when world prices fall. For example, with the inception of the current sugar program on December 23, 1981, a system of Section 22 import fees was implemented which at the time was able to provide full border protection. By the spring of 1982, world prices had become sufficiently low to prevent Section 22 authority from providing full border protection. As a result, the current system of quotas was established under the headnote authority on May 5, 1982.

In addition, Section 22 fees are applied to imports from beneficiary countries under the Generalized System of Preferences and Caribbean Basin Initiative programs. Thus, this option would harm the economies of these countries by largely eliminating the current quota premium.

A tariff-rate quota would operate very much like the current absolute quota. As with the current quota, it would be established under the sugar headnote. The main difference is that an absolute quota is inconsistent with GATT Article XI while a tariff-rate quota is not.

Under a tariff-rate quota, some minimum level of duty would apply to an initial "tier" of imports, say, 1.5 million tons. For quantities imported above the first tier, a substantially higher duty would apply. This duty could be some fixed amount, say 20 cents per pound, or variable, such as the difference between the domestic support price and the world price. In either case, the effect of the tariff-rate quota would be to prevent or control the import of sugars above the first tier amount.

However, as a result of the Panel finding, we will be obligated at some point to bring our quotas into conformity with the GATT. We will work closely on this with the domestic industry and the Congress in the context of the consideration of the 1990 farm bill.

The authority for the current sugar price support loan program expires with the 1990 crop and we have made no specific proposals to change the sugar price support program or to conform with the GATT Panel finding.

Mr. Akaka. Describe in complete detail the various options which the administration has at its disposal to remedy the Australian GATT complaint if new legal authority were requested from Congress. In the course of describing these authorities, identify the advantages and disadvantages of utilizing each option.

Secretary Yeutter. To this point, our analysis has focused almost exclusively on existing administrative authority to bring the import quotas into compliance with the GATT. For example, we do not have clear legal authority to implement production or marketing controls, and, therefore, these measures are not currently under consideration for making changes in the operation of the sugar program. Beyond that, the Administration is strongly opposed to such controls. Production controls increase government involvement in the market at a time when we are trying to move in the opposite direction, both domestically and internationally.

However, we have heard much discussion about the possibility of using production controls in conjunction with import quotas to bring the operation of the import quotas into conformity with the GATT. The prevailing assumption underlying this talk about production controls is that it would not be all that difficult to implement production and import controls to bring our quotas into conformity with the GATT.

This is not the case. To start with, it is not at all clear that it is possible to establish a regime of absolute quotas in conjunction with production controls which meets the GATT Article XI:2(c) exception requirements for the establishment of import quotas. That article provides that import controls can be placed on the like product for which there are domestic production or marketing restrictions. Thus, if there were domestic limits on the production or marketing of sugarcane and sugar beets, clearly quotas may be imposed on imports of sugarcane and sugar beets. However, sugarcane and sugar beets are not normally traded.

This GATT exception would also allow import restrictions on products processed from sugarcane and sugar beets but only if such products are in an early stage of processing, are still perishable, and compete directly with the fresh product. Thus, a case might be made that import controls could be placed on raw sugar or refined sugar. However, recent GATT panel reports cast serious doubts on whether such products would qualify for the exception. For instance, refined sugar, especially in retail packaging, and other products ready for consumer or industrial use, may not be considered to be "in an early stage of processing." Raw and refined sugar may not be considered perishable since they are capable of being stored. Finally, imports of raw and refined sugar may not be considered to compete directly with sugarcane and sugar beets. Criteria such as these make it nearly impossible to create a system of absolute quotas and production controls which meet the requirements of Article XI and also defend our domestic price support program at no cost.

Even if we were able to meet these criteria, Article XI would also require us to maintain a strict proportionality between production and imports on the basis of the most recent three-year period for which no restrictive import restrictions were in place. For the United States, this is period 1979–1981, a period characterized by relatively free trade in the U.S. market. During that period, domestic production averaged 5.82 million short tons annually and imports averaged 4.85 million tons annually. Thus, production comprised 54.5 percent of the market and imports comprised 45.5 percent of the market.

Assuming that we were able to meet all the other Article XI criteria concerning quotas, the proportionality requirement would lead to drastic reapportionment of the U.S. market for sucrose. For example, in 1989, domestic production was 6.7 million short tons and imports—both quota and quota exempt—totaled just over 1.8 million tons. Under the proportionality requirement, domestic production in 1989 would have to have been strictly limited to 4.5 million short tons—more than a 30% reduction—and imports would have to be raised to 3.85 million tons, more than double the actual level of just over 1.8 million tons.

Mr. AKAKA. Thank you very much.

Mr. WHITTEN. Mr. Watkins?

Mr. WATKINS. Thank you, Mr. Chairman.

FOREIGN INVESTMENT IN U.S. BEEF INDUSTRY

Mr. Secretary, welcome. I won't take too long because I know my friend Chairman Neal Smith will have some questions.

I appreciate the job you're doing for agriculture even though sometimes we may have some difference of opinion on policies. I appreciate the fact that you have tremendous experience in trade and knowledge of the global economy that we're going to have to deal with.

Last year, I expressed a real concern with the Japanese beef agreement. My concern last year dealt with the tariffs the Japanese will be able to put against U.S. beef. Since that time, I've seen a significant amount of investment by the Japanese into the U.S. beef industry in what appears to be an effort to circumvent the agreement.

I'd like to know either this morning or for the record, what kind of investment they've been making into U.S. beef production and processing.

They don't own the entire operations, but they've got a major interest in. I'd like to know what the percent of beef from these Japanese investments is of the new growth of beef that they're purchasing.

I'm alarmed about the Japanese structuring personally, and my cattlemen are alarmed about it as well. What's your feeling on that situation?

Secretary YEUTTER. Well, I'm a believer in free and open investment rules, Mr. Watkins, just as I'm a believer in free and open trade.

The United States has been telling the rest of the world for a lot of years that U.S. investment is good for them. We certainly would appear inconsistent and somewhat hypocritical if we argue that our investment in other countries is good but other countries' investment in the U.S. is bad.

So it seems to me that so long as that investment is productive and creative and advances job opportunities in the United States we should encourage it rather than discourage it.

Those are the arguments we make for other countries, that we're going to help them generate economic growth, modernize their facilities, create jobs, and help with their income situation.

Mr. WATKINS. I think it's good for us all to have that feeling and attitude, but when we see what's occurring out there, we're not even going to own a beef industry in the United States if it continues in the next five years.

They'll be exporting Japanese beef produced in the United States which will be counted against their commitment for U.S. beef purchases. It appears that the Japanese are circumventing the agreement. As long as production and processing facilities are majority U.S. owned the beef sold from these ranches or processing facilities will be counted against the agreement amount. U.S. beef producers may not be gaining as much as previously thought.

Secretary YEUTTER. Well, there's nothing that precludes our own investors from outbidding foreign investors for these or any other assets if they choose to do so, and we've done that from time to time in Japan. We have significant investments in Japan, too.

Mr. WATKINS. With a several billion dollar trade deficit with Japan, they've got a lot more money to work with as far as investments.

Secretary YEUTTER. Yes. This is the first time we've been seeing more and more investment flows come our way, but to be more specific, no one, to my knowledge, has numbers on the investment in the beef sector. They would still be relatively small.

Mr. WATKINS. I've seen several articles regarding the Japanese beef investments Mr. Secretary, I would like to ask USDA to report on these investments and their impact on the total economy of the U.S. beef industry.

I think we'll see that a high amount of the increase is coming directly from the Japanese. I won't belabor that, but I do have a concern about it. I'd like to have the Department look into that.

Secretary YEUTTER. Okay.

RURAL DEVELOPMENT

Mr. WATKINS. I'm glad to see that there's an excellent chance to get a rural development bill. What can we expect from your leadership on a rural development bill?

Secretary YEUTTER. We've been working hard on it, Congressman Watkins. As you may know, Congressman Coleman and Congressman English are taking the lead on this in the House Agriculture Committee.

They have put a lot of time and attention into that legislation already. Undersecretary Vautour and our staff have worked very well with them cooperatively and supportively, and my assessment is that they're coming close to being ready to mark up a bill in subcommittee very soon.

We have reservations about a few elements of that bill, and we've communicated those reservations to Congressman English and Congressman Coleman, but by and large we like the thrust and the approach they've taken.

It's much preferred to the approach that was taken by the Senate last year, and we obviously hope that we can emerge from the House with a very sound piece of legislation.

Mr. WATKINS. The great erosion not only has occurred in soil and water erosion, but the erosion of our population from rural areas.

In the Great Depression, we had 85 percent of the population in the production of agriculture products, and about 30 years ago when I served as State FFA President in Oklahoma, we had about 16 percent of our people in the United States in the production of agriculture products. Today we have only two percent engaged in production agriculture.

I just want to point out that not much has been done to build off farm jobs in many of those areas. I hope any rural development bill that you will push has some emphasis on off farm job development so our people can stay there and raise their families on a farm or acreage if that's their desire.

Secretary YEUTTER. I fully concur, Mr. Watkins. I've been saying that in speeches I've made in recent months.

Mr. WATKINS. Well, I've been doing it for 14 years in the Congress, so I hope you have a lot better chance than I have in changing policy. I know you're sitting in the position to have a better opportunity to do that.

U.S.-JAPAN BEEF AND CITRUS AGREEMENT

What has been the total monetary impact on the individual cattleman as a result of the agreement after the first year?

Secretary YEUTTER. It is difficult to quantify the effects of the agreement on individual cattlemen because increasing cattle prices during the period following the signing of the agreement resulted from a variety of factors: the U.S. cattle trade with Mexico and Canada, changing meat demand in the United States, increased beef exports, and decreased beef imports.

However according to a 1989 Cattle-Fax study, total 1988 beef exports increased the value of fed cattle by an estimated $2.83 per hundredweight or close to $800 million for the industry in total. The estimated price impact on feeder cattle and calf prices was $4.50 per hundredweight and $6.50 per hundredweight, respectively. In 1988, 71 percent of total U.S. beef exports were shipped to Japan.

Also, in 1988 the volume of feedgrains exported in the form of beef and pork was equivalent to 72 million bushels or 1.8 million metric tons of corn. Cattle-Fax calculated that given corn prices averaging $2.27 per bushel the equivalent corn value of beef and pork exports last year was $164 million.

To our knowledge, a similar study using 1989 data has not yet been conducted, but it seems likely that even larger export increases to Japan last year translated into higher prices for U.S. cattle. And in fact, the average annual price for choice U.S. steers in Omaha in 1989 rose nearly $3.00 per hundredweight despite a less than 1 percent decline in the number of cattle on feed during the year.

Mr. **Watkins**. How much additional beef have the Japanese purchased?

Secretary **Yeutter**. Since the U.S.-Japan Beef and Citrus Agreement went into effect in July of 1988, U.S. beef exports to Japan have expanded considerably, topping the $1 billion mark in value for the first time in 1989. By quantity, U.S. beef exports to Japan increased 67 percent in 1989 to 272,000 tons. Japan purchases nearly 72 percent of the total value of U.S. beef and veal exports, and has been the primary force behind the near doubling in value of total U.S. beef and veal exports between 1987 and 1989. Increases of this magnitude would have been impossible without the increased quota access stipulated in the agreement.

Mr. **Watkins**. How much of the beef being purchased by the Japanese is directly from either Japanese-owned in part or whole companies in the United States? It is disturbing when I hear that the Japanese may have almost total vertical integration here in the U.S. and may in fact own in whole or part cow-calf operations, feed lots and slaughter plants.

Secretary **Yeutter**. Indications are that the extent of Japanese investment and ownership in U.S. cattle ranches and meat packing plants is very small and that the interest that developed by Japanese companies in 1988 did not grow significantly in 1989. According to various industry analysts, vertically-integrated, Japanese-owned businesses in the U.S. meat sector are few—apart from one or two major Japanese-owned companies that have been mentioned in the press lately.

Generally speaking, USDA does not monitor or regulate foreign investment in U.S. agriculture and agribusiness. As mandated by the Agricultural Foreign Investment Disclosure Act of 1978, however, USDA registers purchases by foreigners of U.S. agricultural land must be reported to USDA. According to data through 1988, foreigners owned less than one percent of total U.S. agricultural land. Only 218,000 acres, 1.7 percent of the foreign total, of U.S. agricultural land were owned by Japanese, and Japan ranked number 14 among countries owning U.S land. That figure grew to 295,000 acres in 1989.

A recent article which appeared in the Los Angeles Times reported that the U.S. Meat Export Federation has estimated that 5 percent of U.S. beef exports to Japan originate from Japanese-owned and operated cattle companies. In general, most industry observers sense a number of Japanese purchases of U.S. ranches and meat processing plants, particularly the purchase of the 80,000 acre Selkirk ranch in Montana by the Zenchiku Land and Cattle Co., has created an unwarranted amount of alarm.

Mr. **Watkins**. Has the Department taken a close look with the Commerce Department to determine how much of that beef is actually coming from these types of companies?

Secretary **Yeutter**. According to information provided to us by Commerce, the value of Japanese investment in food manufacturing and related products in the United States was $302 million in 1988. No data could be obtained from Commerce about the various types of food manufacturing operations included in these figures. We understand that the Japanese have invested in several food processing companies producing Japanese-style foods, tomato products and other food items besides beef.

Mr. WATKINS. Am I correct in stating that as long as there is a 51 percent U.S. ownership in the company that this beef produced and sold by this corporation or other entity would count against the total commitment that the Japanese agreed to buy?

Secretary YEUTTER. The Japanese beef quotas as currently administered do not allocate quota amounts by country of origin.

Mr. WATKINS. Could you provide a list of the companies to the Committee that are in whole or part owned by the Japanese and are producing and exporting beef to Japan and whose beef is being counted against the U.S. purchase total?

Secretary YEUTTER. USDA does not currently have access to lists of Japanese-owned companies and investments in the U.S. We can request a list from the Japanese Livestock Industry Corporation of the names of the companies that have been warded quota allocations and provide that list to you.

Mr. WATKINS. How much Japanese investment in beef producing and processing industries was acquired after the beef agreement was signed?

Secretary YEUTTER. Our informal understanding is that most of the invesment made in the U.S. meat industry by Japanese occurred before the agreement was signed in July of 1988 or shortly thereafter during 1988.

RURAL DEVELOPMENT

Mr. WATKINS. After 14 years of pounding the table about the need for rural industrial economic development, I'm encouraged to see both the Administration and the Congress ready to take action. Your statement today finally focuses on the need—off-farm jobs. You are correct in stating that up to this point our focus in rural development has been only in terms of quality of life in rural areas. Our next step must be in building the capacity in growth center areas in rural America. Otherwise forget the quality of life aspect because there will be no one person there to enjoy the benefits of living in rural areas. Mr. Secretary I hope your Department is ready to participate in an active role instead of passive one in taking the second step of capacity building. I hope you will not stop at determining policy only but instead take an active role in implementing the needs. There is no question that it must be a local-state-federal partnership. But, we should not ultimately determine a policy that awards only the have's and ignores the have-nots.

Have you requested additional funds for capacity building—rural industrial development—not the same traditional programs that we have in place that focus on the quality of life—such as water and sewer? Or are you merely shifting funds from one account to another? It is my understanding that these accounts are already stressed and that shifts from these accounts should not occur.

Secretary YEUTTER. We did request that the Rural Development Loan Fund be increased from $14 million to $30 million. As you know, these funds are loaned to intermediary lenders who in-turn relend funds for local development projects.

Mr. WATKINS. I commend you for requesting in your budget funding for an Assistant Under Secretary whose focus will be in rural development. Will this individual do anything other than determine policy?

Secretary YEUTTER. The purpose of creating this position is to focus the rural development policymaking within the Department in the Office of the Under Secretary. This will be done through the Rural Development Policy Coordinating Council which includes policy officials and agencies with rural development responsibilities. In addition, this official will work with the President's Rural Development Advisory Committee to advise the Economic Policy Council and the White House on rural development issues and see that these policies are implemented throughout the Federal Government. The official will work with State and local governments through the Food and Agriculture Councils in each State development.

Mr. WATKINS. I understand that you have now endorsed my concept of reorganization within the Department and now support the creation of a Rural Development Administration. Is that correct?

Would the Assistant Under Secretary also serve as the Administrator of this agency?

Secretary YEUTTER. We have supported, in concept, portions of H.R. 3581 which would create a Rural Development Administration to administer the community and possibly the multi-family housing programs currently administered by the FmHA, as well as other USDA programs. The Assistant Under Secretary for Rural Development would not be the Administrator of the Rural Development Administration.

Mr. WATKINS. You have not endorsed the concept of a cabinet level position for Rural Development?

Secretary YEUTTER. We have not endorsed cabinet status for Rural Development. Rural Development is adequately addressed at the cabinet level through the Secretary of Agriculture as is evidenced by the work of the Economic Policy Council which, among other things, recommended the creation of a Presidential Advisory Committee on Rural Development.

Mr. WATKINS. What enhanced role does the Extension Service play in delivery of rural development programs? Has the Department looked at the Extension Service in terms of delivery of rural development technology in addition to traditional farm functions?

Secretary YEUTTER. We definitely view the Extension Service as performing a major role in delivery of rural development programs. Following a systemwide priority setting review of all programs, extension has identified rural revitalization as a National priority. Increased allocations through the Smith-Lever formula, proposed in our 1991 budget, will be available for States to address these issues. In addition, Extension Service is working cooperatively with the National Agricultural Library to operate a Rural Information Center to provide the most up to date and complete information on rural issues to extension agents, local communities and others working in this arena.

Mr. WATKINS. I cannot understand that while you are placing an emphasis on rural development how that you are in the same budget proposing termination of the guaranteed business and industry loan guarantee program. Can you tell me why the budget proposes this especially in light of the fact that these funds have been utilized 100 percent in the past two years? Before you say that SBA could replace the program—I would like to point out that SBA does not have the capability of loaning money beyond an owner/operator basis. B&I allows to not only get into the private sector with guarantees but to draw in outside investor capital. Another difference is that SBA is limited to $1 million in loan guarantees. B&I's authority provides for a much larger figure than that. So often it takes a combination of SBA and B&I to put together the capital necessary to make the deal work. Another provision that SBA does not offer is that it cannot lend to an industrial trust or other development organization—often the movers and shakers in local industrial development. B&I presents that opportunity.

Secretary YEUTTER. These decisions are not always easy, Mr. Watkins. Because of the policy changes made in the B&I program in the past two years—trying to limit the size of the loans to $1 million and targeting the program to family sized enterprises—it was felt that the program was similar to SBA's program and could be eliminated

Mr. WATKINS. I note that you have put additional funds into your revolving fund up to $30 million. For the most bang they should have been given to B&I if FmHA is not going to change how the revolving fund works. The revolving funds should be dispensed locally to revolve locally. Otherwise, the decisions must be coordinated with FmHA on how the funds are loaned. The decision maker often does not have the luxury of 60 days for a decision. A decision must be reached on lending within a 30 day period. Do you support the concept of utilizing federal dollars to establish local revolving funds that allow the local people to make the decisions and no longer depend upon the federal government?

Secretary YEUTTER. Mr. Watkins, the Rural Development Loan Fund works basically as you have suggested. FmHA loans the funds to intermediary lenders who in-turn makes loans for local projects. Within certain guidelines those decisions are made locally. As the local project loans are repaid, the funds can be used by the intermediary lender both to make additional loans at the local level and to repay FmHA which in turn can make new loans.

Mr. WATKINS. I note that you are asking for continuation of the guaranteed water and waste disposal loans and the guaranteed community loans. How is this working? How much has been used so far this fiscal year?

Secretary YEUTTER. The regulations for the program have not yet been published. Hence, no guarantee commitments have been made in these programs.

Secretary YEUTTER. Thank you, Mr. Watkins.

Mr. WHITTEN. Mr. Smith?

Mr. SMITH. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. I'm glad to see you here again this year. I just want to ask a few real short questions. We're hopefully going to pass a farm bill by June in time for the wheat farmers to sign up, but you're not going to wrap up GATT until December.

GATT INFLUENCE OVER THE FARM BILL

To what extent will GATT supersede the five-year farm bill?

Secretary Yeutter. We'll obviously need to make modifications in the farm bill in the aftermath of the GATT round, assuming it succeeds.

We obviously do not know yet, and will not know until December, what will emerge in the way of international agricultural trade reform; but, if we do succeed with the agricultural negotiation as we hope, then we and all other nations will have to make modifications in our existing agricultural regimes next year.

As you know, the process is for Ambassador Hill to bring implementing legislation.

Mr. Smith. So a GATT agreement will not automatically supersede the new farm bill?

Secretary Yeutter. Well, for all practical purposes, it will not be automatic, because implementing legislation will have to be drafted that would reflect the agreements that are reached in Geneva.

That implementing legislation will be presented to the Congress and, assuming that Congress approves, then it would take precedence over prior legislation.

Mr. Smith. Okay. Now let me ask you about FAO. In the subcommittee I happen to have the privilege to chair, we've been getting funding requests for various international organizations.

Usually, State Department puts FAO toward the bottom of the list on getting any increases in funding or any increases on arrearages.

Is this coordinated with you or what is the problem there?

Secretary Yeutter. The State Department makes its own decisions and distribution within the Office of International Organizations, I believe it's called. As a part of this process the State Department includes discussions with Foreign Agricultural Service people, and people in other relevant agencies when it makes those determinations.

But my personal judgment, Congressman Smith, is that we, the United States, have a problem in that whole international affairs area that we ought to solve in some manner.

It drops on your desk, as you know, in the appropriations process. But I attended the FAO meetings in Rome last Fall, and we simply have the worst of all worlds today in dealing with international organizations such as FAO, because we haven't been paying our full dues, and we thereby reduce our leverage significantly.

Mr. Smith. Well, we're also catching up some, but we're catching up on those that we think are operating better and not trying to catch up any faster than necessary in those that are not.

Apparently, the judgment of State Department is that FAO is not one of those organizations that's performing the way they should. I won't take the time here, but will you expand in the record your view of what's wrong with FAO or if you concur with State Department on that particular matter?

Secretary Yeutter. I'd be pleased to do that, Mr. Smith.

[The information follows:]

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The U.S. Department of Agriculture relies heavily on the FAO to perform a number of important tasks that complement the Department's programs and benefit U.S. farmers and ranchers. Among the most important of these are the Codex Alimentarius Commission; the International Plant Protection Convention (IPPC); the Global Early Warning System; pest and disease control; statistical work in agriculture, fisheries, and forestry; reforestation and the Tropical Forestry Action Plan; the Code of Conduct on distribution and use of pesticides; sustainable agricultural development; and plant and animal genetic resources.

The Codex Alimentarius and IPPC are examples of two FAO activities which provide real benefits for American agriculture, and they will be crucial for implementing an agreement on the harmonization of international sanitary and phytosanitary measures as proposed by the United States in the Uruguay Round of multilateral trade negotiations. U.S. participation in these programs will be necessary to facilitate our input into the establishment of the scientific and technical guidelines upon which the new GATT system will be based.

Perceived differences between the Departments of Agriculture and State towards the FAO probably result from our different interests and responsibilities. The State Department is particularly concerned with political and budgetary issues related to the international organizations, while the Department of Agriculture primarily focuses on the organizations' program activities. U.S. relationshps with these organizations will necessarily have to balance these two perspectives.

There is some concern that the U.S. posture towards the FAO may have been overly influenced by political and budgetary concerns with insufficient attention paid toward FAO's programs and contributions. In this regard, the Department of Agrculture is working with State to ensure that our budgetary and program goals are mutually consistent.

The United States did have some concerns at the November FAO Conference regarding the organization's program growth and reference to involvement on the PLO in FAO activities. The Department worked with State on these issues and FAO administrative reform. In the end, the PLO resolution was comparable to similar resolutions passed in other international organizations, and by the close of the Conference, the United States was able to join in a consensus resolution calling on FAO to make progress on certain administrative reforms aimed at making the organization more efficient and responsive.

The Director General has informed us that FAO will continue to be a technical agency and that he will work to keep politically sensitive issues out of the FAO. The President's Budget for fiscal year 1991 requests full funding for the FAO. The organization is important for American agriculture, and if we are to remain members and continue to benefit from its programs, it will be necessary to pay our dues.

CRP

Mr. SMITH. We're going to have a farm bill by June, and CRP contracts will be expiring in 1995 prior to the end of the farm bill.

People who have acreage in CRP need to know before the end of their contracts whether or not they'll be expanded, and people who are not in CRP need to know, too, because we're talking about 40 million acres, and it's the biggest crop balancing tool we've got going these days.

Are you going to suggest some language in this farm bill for extending CRP or are you not?

Secretary YEUTTER. Yes. We will propose that the CRP be extended through 1995. In fact, we've already proposed this to both Agricultural Committees, but that we keep the acreage at the 40 million target and not expand beyond that.

Mr. SMITH. What about the expiring contracts that will expire in 1995?

Secretary YEUTTER. We have not yet made any specific recommendations on that, but at the right time we'll be prepared to sit down and discuss that with the Agricultural Committees. That's a very key issue, as you have pointed out.

Mr. SMITH. Do you expect the new farm bill to include something on the conditions under which existing CRP contracts will be extended?

Secretary YEUTTER. It certainly could. It wouldn't be required, but it would certainly be appropriate.

Mr. SMITH. To include some bidding process or something under which they could be extended?

Secretary YEUTTER. Yes.

RURAL DEVELOPMENT

Mr. SMITH. With regard to rural development, I just want to point out that I don't think we need more legislation until we fund what we already have.

What's the advantage of passing more legislation when we've got a 32 percent reduction in the budget for the two principal programs we have for rural development now?

Secretary YEUTTER. With respect to the business and industry loan program, Mr. Smith, the rationale of removing that from the budget was that the Small Business Administration has a similar program, which can serve rural areas.

Mr. SMITH. But the Administration doesn't want to fund that, either.

Secretary YEUTTER. It is my understanding that the Small Business Administration budget for 1991 includes over $4 billion in loan guarantee commitments. Rural areas are eligible to participate in those programs. I understand that it is the SBA direct loans that are being reduced. However, if we're not going to fund it in SBA, we ought to fund it here, which is my judgment. I can't speak for the SBA on that.

Mr. SMITH. Well, I don't necessarily disagree with that, because you know I was the author of the provision that made farmers small business people, and then the Administration opposed that vigorously, but they are small business people. That kind of program ought to be operated one place or the other.

Secretary YEUTTER. Well, that program does have potential for job diversification in rural areas, and I am not aware of the magnitude of the SBA budget, but we ought to try to deal with that issue properly.

PAPERWORK BURDEN ON FARMERS

Mr. SMITH. Well, in passing. I won't ask you to comment necessarily on these things. You can if you want to. You said a while ago that we're not going to add labor to the farming operations or something to that effect.

I want to point out to you that in the last four or five years, every farmer has had added labor in the form of bookkeeping.

It's gotten so bad now that some have had to hire a bookkeeper. We just had a new tax law enacted that requires income tax withholding for almost all farm workers.

They hire some kid to work for them for three or four or five days, and they've got to fill out all these papers and withhold a few dollars and run down to the Internal Revenue or a bank and turn it in. In additional the ASCS is just flooded with paper.

Secretary YEUTTER. I fully concur. In my judgment, Mr. Smith, that's one of the major shortcomings of the existing farm program regimes that we have and major shortcomings of a lot of other things we do in society.

Some of this, of course, has been mandated through the legislative process, and some of it comes through bureaucratic initiative, but in either case, we ought to try to do better.

I have instructed Keith Bjerke, who is our ASCS Administrator, to evaluate all of those programs and see if we can't simplify it.

Mr. SMITH. Well, some of it is the fault of legislation, but those forms don't need to be that complicated.

Secretary YEUTTER. Yes.

Mr. SMITH. That one on determinations is just unbelievable.

Secretary YEUTTER. Yes. I agree with you.

Mr. SMITH. And ASCS employees go to school, and when they get back to the county offices they're still scratching their head and asking, what does this thing mean?

Isn't there something that can be done about some of those forms within your office?

Secretary YEUTTER. I agree with you. It's amazing how intensely the content of forms is debated. As you know, the Internal Revenue Service goes through this every year over the Form 1040, which is relatively simple.

Mr. SMITH. Yes.

Secretary YEUTTER. Our people go through that same debate with respect to ASCS forms, and it seems to me that we don't make a lot of progress in either case.

NORMAL YIELDS

Mr. SMITH. Well, my last comment has to do with normal yields. The last farm bill did not provide for proven yields, which, I think, was a good thing.

Proven yields rewarded those manipulated their records and made crooks out of some farmers who had never done anything like that before. Some of them would and take a load off of one farm they rent or was not in the program and credit to another farm, and then the neighbor felt "well, I've got to keep up," but, nevertheless, the change was made in the law. However, the normal yields that were assigned when we had proven yields have not changed as the farmers are getting their 1990 notices.

After five years, there ought to be some change reflected, don't you think?

Secretary YEUTTER. I'm not sure what the explanation for that is, Mr. Smith.

Mr. SMITH. Well, I'm not, either, but due to those years when we had proven yield's, the data on some farms, are just ridiculously high and others had to be made ridiculously low to offset them.

The normal yields assigned seem not to have changed to reflect the change in the law. They ought to gradually go back more toward fair levels. They should reflect, to some extent, wheat or corn suitability readings on farms after a while, if you ignore the proven yields that county committees had to recognize for several years before allocating whatever was left to other farms.

Secretary YEUTTER. Yes.

Mr. SMITH. Would you look into that?

Secretary YEUTTER. Mr. Smith, we are currently conducting a study that will address this very point. We hope to complete this work very soon and will send you a copy.

Mr. SMITH. Okay. Thank you.

Mr. WHITTEN. Mr. McHugh?

FOOD STAMP SUPPLEMENTAL

Mr. MCHUGH. Thank you, Mr. Chairman.

Mr. Secretary, as I said at the beginning of the hearing, I apologize for having missed some of your testimony. I had another commitment, as sometimes happens here.

In any case, I wanted to ask you a few brief questions. First of all, it is going to be necessary I understand to consider a supplemental for the food stamp program.

I have not seen any firm figures yet as to what might be required. Do you have any particular numbers that you can give us at this point?

Secretary YEUTTER. I haven't seen definitive numbers, but I'll ask Mr. Dewhurst.

Mr. DEWHURST. Yes, sir. There's a letter coming to the committees giving the range of roughly $300 million to $500 million as the need this year in food stamps.

Mr. MCHUGH. Can you tell us what the reasons for the supplemental are? Are they related to the economy or are they related, for example, to inefficiencies or waste? We hear a lot about the latter, and I want to tie it down as best we can.

Mr. DEWHURST. Well, so far as we can tell, it's related to participation. The truth is that the models we use relate food stamp participation levels at the margin to changes in unemployment.

But those models have not been working very well in recent years, and, in fact, we've gone through the first four months of this fiscal year and now have almost half a million more people on food stamps, on average, about 19.4 million people, than the models predicted when we first put the budget together.

There seems to be no reason to believe that that number is going to go down significantly, so that's why we need the additional funds.

Mr. MCHUGH. As you know better than I, budgeting is always difficult because you are dealing with projections. So, what you are telling me is that, in effect, slower economic growth than we projected is one of the considerations.

Are food prices a part of this, as well? Higher than expected food prices?

Mr. DEWHURST. The Thrifty Food Plan is a bit higher than what we projected. Actually, I have the number here somewhere, but I'm not sure I can locate it on short notice.

But the major point is that there are just more people in the program. Substantially more than the budget had predicted.

LOAN INTEREST BUY DOWN

Mr. McHugh. Mr. Secretary, one of the things that have noticed in the budget is that this year you have proposed in rural housing an interest buy down provision, which on the face of it seems to me to be a reasonable proposal.

You can, with a relatively modest amount of money, provide some meaningful help to people who need that assistance for housing.

The real question is whether or not this will work if there is a lack of access to the private market for lending.

One of the problems, as you know, that we have had in certain parts of our country is that even when there is a program on the books, the private sector, to the extent it is required to participate, is not able or willing to participate.

How do you respond to that particular problem?

Secretary Yeutter. Well, we feel reasonably good about that. It will obviously vary somewhat from area to area in the country, but we think an interest buy down feature will stimulate much more interest in the commercial banking sector than we've seen thus far.

I was commenting on this in colloquy with the Chairman a little earlier with respect to Farmers Home. The same concept also applies with respect to farm operating loans and farm ownership loans.

It seemed to me that one of the shortcomings of the guaranteed loan program in the past has been that all guaranteed loans had to be at commercial rates, and that wasn't very exciting for most commercial lenders.

But with an interest buy down, it seems to me that that should give the programs a good bit more attractiveness. We worked very hard, Mr. McHugh, in making this a credible budget proposal.

My judgment is that it hasn't always been credible in the past.

Mr. McHugh. I agree.

Secretary Yeutter. That's why we tried to put in a mix, as you know, of vouchers and rental assistance and guaranteed loans and direct loans so that we can use whichever of those four or whatever combination thereof might get the job done. That's the whole idea of this thrust.

Mr. McHugh. Well, I have not looked at the numbers very carefully, but I do think generally speaking that is a more realistic approach than we have seen before.

My recollection is in most years in the past in the 1980s we have gotten zero for direct loans. This was never credible with this committee, and, of course, we then had to put it back in, which I suspect the Administration anticipated.

But the buy down proposal does seem to be another tool which might be very useful. You are requesting, as I recall, $50 million for the interest buy down, is that right, Steve?

Secretary Yeutter. My recollection was that it was perhaps more than that, but I'm not sure.

Mr. Dewhurst. It can be very confusing. In this budget, there is an offer to buy down $297 million in housing loans.

The $50 million you're thinking of was a previously enacted interest buy down program where the bank and the Government had shared an interest buy down.

The bank had to take part of the reduction, and the Government took part of the reduction. That is different from this proposal where the Government would, in effect, finance the entire interest buy down.

SCHOOL LUNCH PROGRAM

Mr. McHugh. Finally, one of the legislative proposals that you have made, which really comes to the other committee and not to ours directly, relates to the school lunch program.

As I recall it would eliminate some of the subsidy from the higher income families and target it on lower income families, which in principle seems very reasonable.

But what we found in the early 1980's was that when you took the subsidy away from some of the higher income families, they dropped out of the school lunch program, and schools, in some cases, just had to drop the program.

So, no school lunches were provided to low income students or otherwise. I guess the question here is whether or not this targeting mechanism which, on the face of it, seems quite reasonable would have the effect of schools dropping the school lunch program because the participation by the higher income students would drop.

Has your department done any examination of what is likely to happen here? If that is the result, obviously, it is not accomplishing what you hope or we would hope.

Secretary Yeutter. I'll ask Mr. Dewhurst in a minute to comment on whether we have any research that would be helpful in that area.

This is a debate that's gone on for years, of course, all the way back to when I ran these programs in the 1970's, which would be about 15 years ago.

The fact is that we really don't know what the impact would be. There are trade offs in this, and if we had unlimited funds or all the funds we'd like to use in school lunches, we wouldn't have to make these trade offs.

But the fact is, in a very tight budget situation, we're looking for ways to make the trade offs in as viable a manner as possible, and that's really what this is all about.

Let me ask Mr. Dewhurst if there is anything in the way of background work that would be helpful.

Mr. Dewhurst. I think FNS, the Food Nutrition Service, has done some work on what they call the behavioral changes might be, both among the group from above 350 percent of poverty that would lose subsidies and in the reduced price group where the subsidies would be increased.

We would be glad to provide that for the record. I'd have to say honestly we're not real sure about that.

Mr. McHugh. It is like budgeting. You have to project something you are not certain about.

Secretary Yeutter. That's right.

Mr. McHugh. Given the experience that we have with the early 1980's where, in fact, schools had to drop the whole program, my guess is that the authorizing committee that has to consider this will be somewhat skeptical about it. However, on the face of it, it seems like a reasonable way to target your limited resources.

[The information follows:]

FNS data shows that about 20 percent of school lunch participants are from families with incomes above 350 percent of the poverty line. The size of any decrease in participation among non-needy children would depend on how much of the approximately $.30 Federal subsidy per meal the school passed along to the students. If the entire amount were passed on in price increases, FNS data suggests that the overall decrease in participation could be about 4 percent.

USDA's budget request does not assume an increase in participation among applicants for reduced price meals. Also, FNS does not have data supportive of a behavioral change for this income category. However, the Department is concerned that a substantial proportion of children potentially eligible for reduced price meals never apply for program benefits. By increasing Federal subsidies $.20 per meal for lower income families, and reducing from $.40 to $.20 the amount schools will be permitted to charge for reduced price lunches, we hope to encourage more participation among this currently eligible, but not participating group.

Mr. McHugh. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Secretary Yeutter. Sure.

Mr. Whitten. Mr. Skeen?

Mr. Skeen. Thank you, Mr. Chairman.

COOPERATION BETWEEN USDA AND EPA

Mr. Secretary, I want to begin by commending you on the approach that you've undertaken to try to reconcile the issues that involve agriculture and the environment.

It hasn't been a happy association in the past, and I think it's the worst mistake we've made in the country as far as our public attitude towards agriculture.

I think that you've certainly raised our consciousness on the impact of agricultural practices on the environment and also with the attitude that states we've got to ensure agricultural producers still have the ability to compete on a global scale and keep our environmental concerns in hand.

What I'd like to ask you is I understand that the USDA is developing a much closer working relationship with the EPA on the issues such as water quality. I also understand there's even an farm advisor at EPA. I think that's progress.

Could you give me some idea what that relationship is and what's going on in that particular area?

Secretary Yeutter. It is vastly improved, Mr. Skeen, over years back. In fact, it's the best in my memory in Washington, and that goes back now about 20 years.

A good bit of the credit for that goes to the man on my right, Deputy Secretary Parnell, because he's been working very hard on it.

But we have some excellent cooperative endeavors going between ourselves and EPA, and also with the Food and Drug Administration in some related areas.

But Bill Reilly and I have an excellent relationship, Bill has been over here testifying with me before the House Agriculture Committee, and Jack has been working with Linda Fisher, who is one of his top people, on food safety and ground water and a number of other things.

We've got Dr. Harry Mussman, who is our number two person in Science and Education, working regularly on ground water issues and a number of others, and Jim Mosely, who is the Agricultural Advisor to Mr. Reilly, is a hog farmer from Indiana, who knows agriculture well and communicates our views very skillfully.

Mr. SKEEN. It seems to be a much closer relationship and a lot better exchange of information, and I'd like to know some idea of what kind of exchange of scientific information there is between the USDA and the EPA regarding the pesticide, fungicide and other agricultural inputs.

Also, does that information have any involvement with EPA insofar as their risk assessment is concerned? I think the key is risk assessment.

We've heard a lot of posturing on the environmental question but very little in the way of real good scientific background. I'd like to know for once that we're marrying the two ideas but still have something that comes close to being a good risk assessment network as far as information is concerned.

Secretary YEUTTER. I'm going to ask Mr. Parnell to comment on this in just a minute, since he's been personally involved. Before I do that, though, I would simply add, Mr. Skeen, that we had EPA folks working with us directly in the preparation of our farm bill proposals, and their input was excellent.

We've made a number of environmentally related proposals in the farm bill that we think make a lot of sense and balance very effectively agricultural and environmental interests, and EPA was most cooperative in that endeavor and made a very positive contribution.

Jack and his counterparts have worked hundreds of hours on a Presidential food safety initiative which encompasses the pesticide area.

Mr. Parnell?

SHARING SCIENCE BETWEEN USDA AND EPA

Mr. PARNELL. There has been considerable cooperation between EPA and ourselves with regard to the sharing of science.

Secretary Yeutter, early on in his administration of the department, decided that we simply had not been, as history has it, players in that role.

He wanted USDA to become a part of the process, thus the close association with EPA has developed. So now, as the decisions are being made with regard to particular pesticides or chemicals, we not only see EPA's science but are allowed to share our own science.

Hopefully, when we have a Presidential initiative signed into law, which hopefully will happen soon, the seven points that he outlined some time ago, we will have by mandate an opportunity for agriculture to be brought into consultation and to share science.

We have considerable science in the land grant colleges and the university system that we can access that we simply haven't used effectively that are dedicated to doing that.

Mr. SKEEN. Well, I agree, and I commend you once again for putting this together, because that's the kind of input I think that gives us a lot better answers and a lot better approach.

Secretary YEUTTER. By the way, Mr. Skeen, if I can just supplement that for 30 seconds, as you may know, we have what we call a food safety initiative in our budget this year which relates to the gathering of data in the pesticide use area that just hasn't been accumulated before.

Mr. Parnell was really the one who was responsible for incorporating that in our budget, so we hope you will take a good look at that.

Mr. SKEEN. I have some questions that I'm going to submit to you, because I know your time is short. We're going to try to get you out of here.

One thing that I am a little concerned about is that some of the public statements that have been attributed to yourself and Mr. Reilly show you to be at odds with one another insofar as the approach to water quality research.

Mr. Reilly takes the position, I think, that the paramount goal of EPA ground water research is to prevent adverse affects to human health and environment, and you stated that agricultural productivity and a sound environment can be compatible.

I don't see them as being incompatible statements, but they seem to be at odds with one another.

Secretary YEUTTER. I really don't believe they are incompatible, Mr. Skeen. There may be nuances of differences, but I don't believe that we have any fundamental differences.

EPA may be a little more oriented toward regulatory solutions to these kinds of challenges than we are. I'm a bit more oriented perhaps toward solving these problems through incentives, positive incentives rather than negative responses.

WOOL ACT

Mr. SKEEN. Well, I think we're going in the right direction. One last concern and issue of mine is the Wool Act.

The Wool Act has been in operation since 1954, and I know that you have proposed some different approaches and so forth that have caused a great deal of concern. I would like to address those with you, and we probably will do that privately or through questions, if you would.

I would appreciate it, because I understand that you're looking it over, I understand why you're doing it, and we'd like to have some input with you in relation to that program.

Secretary YEUTTER. I'd be glad to.

Mr. SKEEN. Has the Department calculated how the Administration's proposed changes to the 1954 Wool Act will impact payments to wool producers? If so, what is the impact?

Secretary YEUTTER. Government payments would be lower mainly because of the lower support prices. Payments are projected to continue rising over the coming years if the current formula for determining support prices stays in effect. The Administration's proposal would reduce the support levels, bringing them more into line with other supported commodities. We estimate that wool and mohair payments could be reduced by approximately $40-45 million per year, on average, under the Administration's proposal. Most of the savings would come from wool rather than mohair. Projected payments for mohair would not change significantly under the Administration's proposal, but wool payments would decline. The payments do not constitute a major portion of the income of most producers, so we do not believe the effects of the proposal on producers' income will be significant.

The $250,000 payment limit would also lower total payments. Very few producers receive wool and/or mohair payments of that magnitude. We have no data available to indicate how many wool and mohair producers would reach or exceed the $250,000 limit when their participation in other commodity support programs is considered. However, for the 1988 marketing year, seven mohair producers and no wool producers received in excess of $250,000 in payments under the Wool Act alone.

Under the Administration proposal, payments would be distributed somewhat differently among individual producers than they are under the current payment system. All producers would receive the same per-pound payment. Since payments would be based on pounds produced rather than net sales proceeds, producers of higher-priced wool—finer-grade wool that carries a premium as well as wool of any grade produced for the specialty handcraft market—would receive lower Government payments than under the current system. Under the current system, producers who receive the highest market prices also receive the highest support payment rates, in effect, a redundant incentive completely at odds with other commodity programs.

Mr. SKEEN. Has the Department calculated how the Administration's proposed changes to the 1954 Wool Act will impact domestic wool production? If so, what is the impact?

Secretary YEUTTER. In the case of wool, the aggregate impact on production is expected to be minimal because total wool production generally is more directly related to sheep meat returns than to the level of wool prices or Government payments. We expect wool production to continue to follow and reflect trends in the lamb market.

Among individual wool producers, the greatest impact would be felt by those who produce wool for the specialty, handcraft market. Currently, the more these producers receive for their wool from the market, the more they receive in Government incentive payments.

Under current assumptions for mohair, it is unlikely that the Administration proposal would have a substantial impact on production. Assuming target prices are frozen at 90 percent of the pre-Gramm-Rudman-Hollings 1985 support prices, the target prices for mohair are only 2-5 percent lower than those assumed under the FY 1991 President's Budget.

Mr. SKEEN. Would you please provide data on all tariffs collected under provisions of the 1954 Wool Act that have been collected in each of the years since the enactment of the 1954 Wool Act.

Would you also please provide data, on a year-by-year basis, that compares the amount of tariffs collected each year under the 1954 Wool Act to the total amount of wool payments made.

[The information follows:]

CCC NATIONAL WOOL ACT PAYMENTS COMPARED TO DUTIES COLLECTED

Year	National Wool Act payment program (fiscal year)	Gross receipts from duties collected on wool and wool manufactures (calendar year)
1953		$75,768,963
1954		56,635,765
1955	$187,684	69,930,183
1956	2,020,975	74,694,145
1957	61,292,352	67,233,972
1958	57,182,448	71,500,447
1959	20,025,827	95,985,584
1960	92,653,681	107,539,419
1961	60,886,811	98,806,944
1962	65,347,054	128,827,847
1963	63,164,602	132,071,019
1964	73,203,933	113,323,654
1965	22,577,216	173,538,080
1966	38,260,163	158,357,675
1967	34,792,675	138,500,000
1968	72,451,002	168,000,000
1969	67,892,514	152,866,000
1970	56,272,766	133,489,000
1971	75,430,447	95,281,000
1972	116,545,406	84,005,000
1973	74,000,154	92,025,000
1974	7,735,468	83,738,000
1975	18,888,000	82,993,000
1976	[1] 47,275,000	131,240,000
1977	10,428,000	178,155,000
1978	33,038,000	205,181,000
1979	39,421,000	195,155,500
1980	34,520,000	222,832,313
1981	42,078,000	247,895,236
1982	53,855,000	240,636,200
1983	93,575,000	269,704,917
1984	131,959,000	402,269,431
1985	109,365,000	411,386,171
1986	122,689,000	427,121,077
1987	152,130,000	417,255,211
1988	[2] 4,527,000	435,621,668
1989	93,485,000	[3] 440,622,000
Total	2,049,156,178	6,680,186,421

[1] Includes costs of $1,815,000 for the transition quarter.

[2] Fiscal year 1988 program outlays of $130,635,000 include an advance fiscal year 1988 appropriation of $126,108,000 as a credit against payments, which was required to be recorded as a wool program receipt by Treasury.

[3] Estimates.

Note: Excludes $116 million in CCC loses on commodity loan and inventory operations prior to National Wool Act.

NATIONAL WOOL ACT

Mr. Skeen. The 1954 Wool Act states that up to 70% of the tariffs collected under the Act can be used for wool payments. Would you please provide data that shows, on a year-by-year basis, the percentage of eligible tariffs that have been used for wool incentive payments.

Secretary YEUTTER. There is a general misunderstanding that duties collected on wool imports are used directly to make wool payments. Custom receipts from wool do not flow to the USDA; they go to the U.S. Department of the Treasury and are used to carry out the general operations of the Federal government. Wool program payments, like other price support payments, are paid from CCC funds. Each year funds are appropriated directly from the Treasury to reimburse CCC for its expenditures made in connection with wool price support payments. Section 705 of the National Wool Act of 1954, as amended, provides that the amount of such appropriation for any fiscal year may not exceed 70 percent of the gross receipts from duties collected during the preceding calendar year on certain imported wool articles. It is the language of the limitation which has led to the general misunderstanding that wool price support payments are made from custom receipts.

FOOD SAFETY

Mr. SKEEN. Let me switch now to food safety. Last year you testified before this subcommittee that negotiations during the Uruguay Round would include identifying ways to settle disputes involving scientific information on food safety. Could you please update us on how these negotiations are progressing?

Secretary YEUTTER. A working group has been meeting monthly in Geneva, Switzerland, to address food safety issues, including the resolution of disputes involving scientific information. Significant progress has been made and I believe an effective agreement can be reached in the Uruguay Round concerning these matters.

Mr. SKEEN. I believe this weeks report from FDA that 98 percent of the cancer risk in our diet comes from naturally occurring substances will only add to the public's uncertainty about the safety of our food supply. What is the Department doing to provide the public with accurate and timely information about the food they eat?

Secretary YEUTTER. The Department has proposed a $25 million food safety initiative to determine the actual levels of pesticide residues and dietary exposure to consumers. In addition, we are proposing a new $2 million Extension Service program to provide information to assist producers in avoiding violative residues and to assist consumers in safe food handling practices. The Food Safety Hotline has also been an effective way to answer consumer's questions regarding the safe handling and preparation of food.

Mr. SKEEN. In light of FDA's report do you think there should be a stronger emphasis in research to investigate the full extent of naturally occurring toxins in food?

Secretary YEUTTER. USDA research programs currently fund over $14 million in research on natural toxins in foods, including aflatoxins, and other mycotoxins, and other substances. We are proposing $10.8 million in our 1991 budget for additional food safety research, including work to eliminate mycotoxins in marketed commodities.

Mr. SKEEN. One of the Department's new initiatives involves calculating pesticide residue in food. How long do you anticipate it will take to compile the necessary data, and how can we effectively relay this information to consumers?

Secretary YEUTTER. We have already begun to design the program by meeting with FDA, EPA, and various State Department's of Agriculture. So far, the response has been extremely positive. We expect to sign contracts with States to conduct additional pesticide residue testing to fulfill the statistical sample as soon as the appropriations become available. The first monitoring results should be available early in 1991.

Mr. SKEEN. Mr. Secretary, the Administration's proposed changes to the Wool Act have alarmed many folks around the country. In testimony this morning before a House Agriculture Subcommittee, a USDA official stated that wool is the only commodity program that encourages increased production through incentive payments. The 1954 Wool Act provides incentives to encourage production, not to increase production. Does the Administration see any difference between encouraging production as opposed to increasing production?

Secretary YEUTTER. The original language of Section 702 of the National Wool Act of 1954 stated that "wool * * * is not produced in quantities and grades in the United States to meet the domestic needs * * *" and that it was "declared to be the policy of Congress * * * to encourage the annual domestic production of approximately three hundred million pounds of shorn wool, grease basis * * *." At that time, domestic production was about 240 million pounds. In this context we believe the words "encourage" and "increase" were synonymous. However, Section 702 was amended by the Food and Agriculture Act of 1977 to eliminate the reference to a specific production goal. In actuality, U.S. wool production has declined by nearly two-thirds since the Wool Act took effect in 1954.

Mr. SKEEN. It appears to me that the Wool Act is working as intended. It is encouraging production. In light of this, could you please explain the rationale for the Administration's proposed changes to the Wool Act in the 1990 Farm Bill?

Secretary YEUTTER. The Administration proposes three basic changes to the existing wool and mohair programs.

The first one is a change from formula-determined parity based support prices to a target price/deficiency payment system. Under the current formula, wool support prices would continue to increase, moving further out of line with market prices, resulting in increased Government costs with little production response. The issue is whether these higher costs are justified. The Administration proposal would bring support prices more in line with other supported commodities, assuring a measure of income support to wool and mohair producers at a more reasonable cost to taxpayers.

Second, payments would be based on pounds produced instead of net sales proceeds. This would alter provisions of the current program which provide that the greater the amount a producer receives from the market for wool, the greater his government payment. The rationale for these is that there is no need to encourage increased production of wool. However, there may be some justification for supporting the income of people who raise sheep. Third, a $250,000 combined payment limitation would be in effect. These two provisions would maintain consistency in the program features and restrictions currently in place for other supported commodities.

Mr. **Skeen**. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Weber?

Mr. **Weber**. Thank you, Mr. Chairman.

Mr. Secretary, I understand that your time is limited, and I'll try to be brief.

Let me just start by saying on behalf of my cattlemen I do apprecate the good deal that you've gotten for the American beef industry in Japan and the efforts that are being made to promote added value product sales throughout the Far East.

I was in Taiwan a year ago, and they were complaining bitterly to us because their farmers were marching on the Government in protest of U.S. turkey sales to Taiwan, and I think that is a good thing.

Secretary **Yeutter**. That was because we were putting very intense pressure on them.

Mr. **Weber**. Well, keep up the good work there. My turkey growers appreciate it. I did have a number of questions, and Mr. Skeen touched on one of the most important ones when he talked about the environment.

ANIMAL RIGHTS

But since your time is limited, I'm going to ask you about one area. I have an increasing concern about the impact of the animal rights movement on production agriculture, biomedical research, veterinary medicine, and a lot of other areas.

You have responsibility for oversight of the Animal Welfare Act, and I'd like you to just discuss with me your general philosophy toward the whole animal rights issue, and follow up what you perceive are some problems for agriculture in that regard.

Then I'd like you to get as specific as you can about the costs of the Animal Welfare Act and the regulations which you're now in the process of promulgating.

Secretary **Yeutter**. Yes. I'll ask Mr. Dewhurst whether we have any definitive estimates on costs of animal welfare regulatory processes.

But to try to give you a somewhat philosophical response to your question, obviously, everybody who is serious about his or her relationships with animals wants to preclude those animals from being inordinately injured in any kind of research process or treated in any inhumane manner.

Those of us who grew up on farms, and that's a lot of the folks who are in this room, have dealt with animals all our lives and have been very close to many of those animals as we've handled them through the years.

So there are a lot of folks in our department, in particular, who would be as committed to animal welfare as any of the advocates of that cause and maybe more committed because they've spent a lifetime at it, and they're not "Johny-come-latelies" at that process.

I've been handling animals since I was three years old or something of that vicinity, so we all want to do the right thing in terms of the way animals are treated in this country, whether it be in research facilities or elsewhere.

But it's all a question of balance, just as other environmental kinds of issues are, too. Those of us who are in administrative responsibilities in the Government in the environmental area or the animal welfare area or the food safety area have to try to balance interests properly.

That's what we're paid for. We want to do it in a reasonable, sensible, rational way. It's impossible to conduct a great deal of research in this Nation without using animals.

We cannot use human beings for research purposes in many areas, so our alternative is to use animals or not engage in the research.

The fact is we're working on human diseases, we're working on trying to find ways to save human lives, and it's regrettable if at times the lives of animals must be sacrificed in order to find cures to diseases that are relevant to humankind, but we must make some of those very difficult trade-offs.

We need to treat animals in a compassionate way as they are used in research projects, and we're going to do everything in the department to make sure that that takes place within reasonable cost constraints.

Obviously, if we put cost constraints on research facilities, they simply cannot stay in business. That makes no sense at all.

We're not going to have effective research in this Nation if we put regulatory requirements on research institutions that make it impossible for them to conduct the research.

So that's where balance comes in. If research institutions had unlimited funds, then we could treat animals better than we do human beings in this world.

But I don't know of any research institutions which do have unlimited funds, so we have to try to emerge from this process with reasonable regulations for everyone who is concerned, including the animals themselves.

We're just going to try to balance that out properly in terms of the animal welfare regulations and the implementation thereof.

We may not do it perfectly. I'm sure there will be people who will disagree with us, research institutions who are saying that we're going to put in place regulations that are inordinately costly, and we'll have the people in the animal welfare advocacy groups who are saying that we're doing an inadequate job of protecting the interest of animals.

But we'll try to balance the interests as best we can, and that's really all we can do or should be expected to do.

Mr. WEBER. I appreciate your point of view. I just want to weigh in on the side of those who are going to criticize you for going too far.

I'm not prejudging the outcome of what you're doing, but my only advice to you, Mr. Secretary, is that the leadership of these animal rights groups are people that believe it is immoral to use animals for any purpose whatsoever.

The process of seeking a compromise and a balance with them is inevitably going to be more and more costly.

I understand it's easy to give you a lot of advice, but I would just urge you to be very careful because the cost to our society could be tremendous. Their demands will not stop.

Secretary YEUTTER. No, I understand fully, Mr. Weber. You're right, and research is just astoundingly important these days. We're hopefully on the verge of success stories with some of the major diseases of the world, particularly because of biotechnology research, and we must move forward.

We cannot have that process retrogressed, because it will be tremendously damaging to mankind.

Let me ask Mr. Dewhurst whether he has specific numbers to offer.

Mr. DEWHURST. Well, the only numbers I have show that the budget for animal welfare in the Animal and Plant Health Inspection Service is up from $7.4 million to $8.7 million in the proposal before the Committee.

Mr. WEBER. You're promulgating regulations now connected with the Animal Welfare Act amendments, correct?

Secretary YEUTTER. That's correct.

Mr. DEWHURST. That's correct.

Mr. WEBER. Does the number you just gave me reflect projected costs or are we not yet at that point?

Mr. DEWHURST. That is simply the cost to the agency for additional inspections and reinspections. It does not purport, of course, to be the cost to the industry.

Mr. WEBER. That's, of course, the real cost that we're talking about.

Mr. DEWHURST. Yes.

Secretary YEUTTER. Yes.

MULTI-YEAR SET-ASIDE

Mr. WEBER. Mr. Secretary, in the Administration's proposed 1990 farm bill you recommended that a multi-year set-aside program be established. The program would allow farmers to establish a perennial cover crop on ACR land and the Federal government would cost share establishment expenses on a 50/50 basis. Mr. Secretary, I want to commend you and the department for putting this proposal on the table. As you may know, last year I introduced legislation which is almost identical to this proposal. The only difference being, is that my bill would have required state participation on the cost share establishment expenses. I am wondering, Mr. Secretary, if you could tell us why you think this proposal should be part of the 1990 farm bill and if the Department's attitude toward this concept has changed in the last few years?

Secretary YEUTTER. Ideally, we should not have to ask farmers to idle any farmland to reduce surpluses. Our longer term goal is that we become more competitive and that production be sold rather than stored. Achieving this objective will take time, and, meanwhile, the productivity of the American farmer will dictate that a portion of the land continue to be idled.

Our proposal for multiyear set-asides recognizes the probability that some land will need to be idled each year and suggests a way to increase the conservation and environmental benefits that stem from the annual programs. From the standpoint of cover establishment and enhanced habitat reliability for wildlife, multi-year programs also promise more than annual programs.

I don't know that the Department's view today is much different from its position in the past on the subject of multi-year set-asides. Previously, objections to the idea were based on the need for program flexibility—we needed to be able to respond at once to increases in demand or tightening supplies. This is still the Department's view, and our proposal this year will provide for that flexibility. A producer would not be required to devote more than five percent of the base acreage on a farm to multi-year set-asides. If the acreage reduction program for a given year calls for less than a 5-percent reduction, farmers would be able to exceed their base acreage by the amount of land in multiyear cover.

ANIMAL WELFARE

Mr. WEBER. It is also my understanding that the 1985 amendments to the Animal Welfare Act are currently being promulgated into regulation. The USDA estimates these costs to exceed $1 billion. Are plans being made to attempt to diminish these costs and/or appropriate additional money to research institutions to meet the new regulatory requirements?

Secretary YEUTTER. The Department has received over 21,000 comments on the draft regulations. Parts I and II of the regulations have been finalized and made effective October 30, 1989. Comments on the proposal for Part III are under review. The review will include identifying where costs may be reduced while still complying with the 1985 Amendments.

EASTERN EUROPE

Mr. WEBER. With the current economic and political changes taking place in Eastern Europe, I would think that there would be an opportunity for new markets for our bulk and value added agricultural commodities. Could you briefly describe to me what the Department is currently doing to pinpoint these markets?

Secretary YEUTTER. The political changes in Eastern Europe have opened and reopened large markets for bulk commodities such as corn, wheat, and soybean meal. We are already providing wheat, feedgrains, rice, cotton, and soybean meal to Poland as commodity assistance, and corn is being considered for Romania. Also, some value added and high value products are being provided, including butter, pork bellies, and vegetable oil. We plan for market development teams to visit Eastern European countries by the end of June to promote exports of these and other products, such as lumber and plywood and horticultural products.

The occurrence of a disaster and the amount of payments that might be made in any particular year is impossible to project. For this reason, payments are considered a contingent liability and, consistent with existing budget practices, this liability is not included in budget totals.

As you have noted, existing disaster relief programs for crop losses have cost the taxpayer an average of more than $1.1 billion annually since 1980. Preliminary estimates indicate that had our proposed program been in effect the annual cost would have ranged from negligible amounts to more than $1 billion, plus a small additional amount for administrative expenses.

REA PROGRAMS

Mr. **Weber**. Mr. Secretary, we have heard from a number of representatives from the Department that the REA borrowing programs are a drain on the Treasury. Recognizing that there are minor administrative and interest cost associated with the program, can you explain to me how this revolving fund program causes a drain on the budget? Isn't it true that due to the accounting procedures utilized by the federal budget process that the loan repayments never show up as credits to the REA budget? Is it not true, therefore, that the majority of the losses shown for this program are paper losses?

Secretary **Yeutter**. Mr. Weber, in addition to the $30 million per year that it costs to administer the REA programs, the difference between 5 percent loans and REA's borrowing rate (currently about 9 percent) add significant costs to a program in which a majority of the borrowers can easily afford to pay higher rates of interest. For example, interest subsidy on the new electric distribution loans adds about $20 million annually in interest cost.

I should also point out that REA borrowing costs have declined. The highest interest rate at which REA borrowed was about 15 percent. The current annual interest cost, by itself, would not be considered by some to be very much. But when you consider that these loans are amortized over 35 years the program gets very costly. REA has been able to absorb these costs because the agency has about $7.9 billion in Treasury debt on which the interest was forgiven. The cost of the interest forgiveness is borne by the U.S. Treasury.

Regarding the second part of your questions, loan repayments do in fact show up as credit to the REA budget. REA outlays are calculated, in part, by deducting the volume of principal and interest repayments from new loans made and the interest cost REA incurs by borrowing the funds it needs from the Treasury.

As to the third part of your question, I have to assume that you are speaking of the losses REA incurs when a borrower misses a payment on a loan that REA has guaranteed. When a payment is not made, that increases government outlays and the amount REA has to borrow to meet the demand of the current year. Conversely, when those payments are eventually received that reduces outlays and the amount of funds REA has to borrow in that particular year. Delinquent repayments are not paper losses.

Mr. **Weber**. As you know Mr. Secretary, I have been a strong proponent of the Department's efforts on behalf of rural development. I want to take this opportunity to commend you and the Department for recognizing the importance of this issue. However, Mr. Secretary, I am concerned that at a time that we all agree about the need to address this issue that the budget is calling for over a $1 billion cut in rural development programs. I am wondering if you could help me understand what direction the Department intends to take in this area?

Secretary YEUTTER. Mr. Weber, the Department is proposing that direct loan assistance, particularly the deeply subsidized assistance, be available for those communities or individuals that need our assistance the most. For those that need more modest levels of assistance we are proposing that they be assisted through government guarantees of private sector loans, some of which will receive subsidized interest rates. Nonsubsidized loan guarantees will be available to borrowers needing minor assistance in moving to private sector financing. In the long-term, attracting private capital to meet some of these needs presents a better opportunity to resolve some of the economic problems facing rural areas.

Mr. WEBER. Well, I have great confidence in you. I realize your time is short, and I thank you for being generous with the Committee.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Conte.

FARM ECONOMY

Mr. CONTE. I look around and see that agriculture exports are up over $40 billion, that farmers' cash incomes are at all time highs, that land values are up, foreclosures are down, and that the farm sector has rebounded from the recession of the early eighties. It's even survived two droughts in a row. Isn't it time to make agriculture stand on its own two feet, and not on Uncle Sam's?

Secretary YEUTTER. I certainly agree with you that agriculture has substantially rebounded from the problems of the early eighties and that it's time for less dependence on Government. In fact, improved economic conditions have lessened the sector's dependence on the Government to a significant degree already. Spending for the commodity and income support programs is now well below one-half the peak levels of the mid-1980's. There is room for more progress in this direction, of course, as our budget proposals suggest. However, the real opportunities to make major breakthroughs in reducing dependence on the government will come if we can achieve some success in our current multilateral trade negotiations to open up world trade and provide the opportunity for U.S. agriculture to compete fairly in growing world markets. As you know, the United States is not alone in providing substantial subsidies to agriculture. There are real opportunities for widespread potential economic benefits here and abroad if progress can be made in dismantling trade distorting subsidies and other barriers to economically efficient production and trade in agriculture.

Mr. CONTE. The improvement in the farm sector has had its cost. How much money has the Federal Government pumped into farm program payments since the 1985 farm bill?

Secretary YEUTTER. Total net outlays by the CCC were over $70 billion during the fiscal year 1986–89 period. That includes the record $25.8 billion in fiscal year 1986 which to a significant degree reflected costs of programs operated under the legislation preceding the Food Security Act of 1985. Expected net outlays for the CCC programs in fiscal year 1990 are $8.2 billion.

FARM PROGRAM PAYMENTS

Mr. CONTE. You've proposed that $1.5 billion in savings should come from farm program payments. One of the best ideas to get those savings is to cut the farm program payments to those rich farmers who net over $100,000 per year. Farmers are supposed to be businessmen, and those who make over $100,000 are pretty good businessmen. Would you describe the ideas you are pursuing to get those savings?

Secretary YEUTTER. For 1991, the President's budget proposes to achieve $1.5 billion in savings from the level of farm program payments projected if the provision of current law were simply continued. To achieve these savings that are critical in the pursuit of deficit reduction, the Administration is prepared to work closely with Congress and the Agriculture Committees in particular.

One program change that could contribute toward reaching our savings goal would be be to target Federal money to those most in need. Wealthy individuals or farm entities would no longer be eligible for price support payments. In an era of severely limited Federal resources, the existing distribution of payments is hard to justify.

However, we do not believe that better targeting is the only way to meet the goals of the President's budget. Reductions in target prices, acreage eligible for payments, and/or program yields will be required to achieve the $1.5 billion reduction in 1991. In addition, we support a more aggressive and effective attempt to close existing loopholes that allow farmers to circumvent current payment limitations.

Let me re-emphasize my intention to work with the Congress to see that the package of reform achieves the budget goals in an equitable manner. The Administration's goal is to develop market-oriented farm legislation that allows producers to decide what crops to grow, while also achieving the budget savings needed in the commodity programs.

HONEY PROGRAM

Mr. CONTE. There are plenty of well-to-do beekeepers who might find themselves over a $100,000 income level. The honey program may taste sweet to them, but it leaves a bitter aftertaste in my mouth. We ought to scrap it, or at least dilute it. We certainly can't continue it as it is. I know you want to change the program too, but will changing it into a deficiency program significantly reduce costs?

Secretary YEUTTER. The purpose of the honey price support program is to support beekeepers' incomes at a level that will enable them to stay in business in order to provide pollination services to our nation's agriculture. We believe that price support loans are not the most effective means to support incomes. Under the Administration's proposal, the same level of income support can be achieved with lower Government costs by using a target price concept rather than the current system of price support loans. This is because under the Administration's proposal, a price support level substantially below the market price would result in lower loan outlays and a very low risk of forfeiture.

Our honey program proposal gives Congress a rare opportunity to reduce spending without reducing income protection.

CROP INSURANCE

Mr. CONTE. I think you're right on target saying we can't afford to subsidize crop insurance and provide farm disaster bailouts every time the weather starts acting up. Farmers are getting a great deal from Uncle Sam. We've paid out to farmers $5 billion in crop insurance subsidies over the last decade, and another $8 billion in disaster aid. It's high time we chose one or the other. Why did you decide to give up on crop insurance rather than eliminate disaster aid?

Secretary YEUTTER. Participation in the crop insurance program since 1980 has remained below 40 percent of eligible acres and below 25 percent until mandatory coverage provisions were enacted under disaster payment programs in 1988 and 1989. the insurance program has failed to achieve actuarial soundness and has not been successful in preventing supplemental disaster payment programs. The insurance program is simply not fixable given current budget constraints. We believe the proposed disaster payment program will provide a needed safety net for farmers and rural communities faced with catastrophic losses, but will avoid the large losses and production inefficiencies associated with the insurance program and past disaster payment programs. Further, it would be less costly to administer.

Mr. CONTE. I can see plenty of potential trouble spots in designing a disaster program to replace crop insurance and the current, disastrous disaster program. How are you going to limit it to real disasters, when every time the rain falls, or the sun shines, or the wind blows, or the frost comes, some poor farmer cries "disaster"? And what are your cost projections for the program?

Secretary YEUTTER. The new program would provide payments for individual losses whenever country-wide harvested yields fall below 65 percent of normal on a crop-by-crop basis. Payments would be based on the difference between the producer's harvested yield and 60 percent of the normal harvested yield for the county. Payments would be based on 65 percent of the three-year average market price for that crop. We believe basing payments on the basis of county harvested yield will avoid encouraging risky production and reduce the potential for excessive payments.

WETLANDS

Mr. CONTE. Mr. Secretary, one of my greatest concerns with the farm programs is their effect on the environment. What increases are proposed in the budget to conserve the environment, particularly with reference to wetlands?

Secretary YEUTTER. We are requesting an additional $52.2 million to continue and expand water quality programs funded in 1990 as part of the coordinated governmentwide initiative. The budget also proposes to continue funding for wetland determinations and inventories at the 1990 level. We plan to complete all wetland determinations by December 31, 1991 and all inventories by the end of 1992. Another program that benefits wetlands is the water bank program for which we are requesting a small increase in 1991. The President's budget will authorize program participants to sell a permanent easement or to continue to participate in ten-year agreements. Finally, the budget proposes, for the first time in many years, a program level of the Agricultural Conservation Program that will fund this program at historical levels.

The Department's 1990 farm bill proposals would reauthorize the Conservation Reserve Program (CRP) through 1995 and would target future enrollment to those areas with problems related to water quality, wetlands, forestation, and wildlife habitat. This proposal would further support the Administration's general commitment to reduce losses of wetlands by offering landowners payments for permanent easements on cropped and previously converted wetlands. The Department would also help to pay for the costs of restoration of these wetlands.

Lastly, our 1990 farm bill proposal includes recommended changes in annual commodity programs that would encourage adoption of farming practices that would reduce agricultural chemical use. Producers would be allowed to plant conserving crops or a combination of program crops without losing program crop base acreage and deficiency payments. Some idled acres will be established with permanent or annual cover crops to improve water quality and wildlife habitat, reduce erosion and improve weed control.

SWAMPBUSTER PROGRAM

Mr. CONTE. The swampbuster program is supposed to preserve wetlands, but very few farmers who have drained wetlands have actually been penalized under swampbuster provisions. Fewer than a third of the 345 farmers who had violated swampbuster by 1989 had farm payments denied. Don't you think we should be taking a harder line with swampbuster violators?

Secretary YEUTTER. While USDA shares your concern about the loss of wetlands, we also operate under statutes and regulations that may not go as far toward private property regulation as some would like. However, we believe our enforcement of swampbuster, while not perfect, has been satisfactory and in line with the statutory requirements and legisaltive intent of Congress. We do not judge USDA success in implementing swampbuster based upon the number of farmers we put out of business or seriously harm economically. One could conclude that the Department's efforts to inform producers about the perils of swampbuster violations were very successful given the relatively few continued violations.

LOW-INPUT AGRICULTURE

Mr. CONTE. I don't quite understand the reasoning that limited the increase in low-input sustainable agriculture research to $100,000, when it can have such a direct impact on reducing pesticide and fertilizer use. I consider low-input agriculture to include such things as integrated pest management techniques. What does low-input sustainable agriculture mean to you, and do you see any environmental benefits to promoting research and application of low-input practices?

Secretary YEUTTER. Sustainable agriculture generally includes practices which, for the foreseeable future, are productive, competitive and profitable, conserve natural resources, protect the environment and enhance public health and safety. Certainly, practices which lower the use of chemicals and fertilizers offer the potential to limit possible environmental degradation from these sources. You should know that ongoing programs at our Federal labs related to sustainable practices are funded at $106 million in 1990 and Federal funds for university research on these practices total $68 million, in addition to the designated low-input sustainable agriculture (LISA) program operated under the authority of Subtitle C of the National Agricultural Research, Extension and Teaching Act Amendments of 1985. Regarding increased funding, you should know that $1 million of the proposed National Research Initiative would fund sustainable agriculture research in addition to the work funded through Subtitle C. In addition, our budget proposes a $1.1 million increase in funding for the integrated pest management special grant.

Mr. CONTE. The other primary benefit of low-input agriculture is going to come in food safety. Chemical residues in foods are creating consumer scares and lowering the confidence in our food production system. While some of the fears are exaggerated, I do not take the issue lightly. Do you think that the aims of low-input agriculture will help increase food safety and consumer confidence? Do you think that there is any threat from chemical residues on our foods?

Secretary YEUTTER. As I understand the situation, there is little reliable data available to assess the levels of chemical residues on foods on a widespread basis. In fact, we have proposed a major program in 1991 to begin collecting data whch can provide that information. Until we can determine the level of residues under present typical production systems, it would be premature to speculate as to whether low-input practices would have any positive effect on public concerns regarding food safety. I do not want to downplay the concerns about chemical residues on foods, but I would note that many scientists generally point to other factors, such as naturally occurring toxins and microbiology contamination, as greater threats to food safety than pesticide residues.

FOOD INSPECTION

Mr. CONTE. Do you propose to take any action to inspect fish?

Secretary YEUTTER. The Department's budget for fiscal year 1991 does not include any proposals for fish inspection.

Mr. CONTE. How does the safety of fish and fish products compare to poultry or meat?

Secretary YEUTTER. Meat, poultry, and fish products are safe and should be eaten by consumers. However, we all must work together to maintain the high level of safety of the United States food supply. We must maintain our highly effective inspection programs to ensure that food products are processed according to the highest standards. This should include an improved inspection program for fish and fish products. In addition, consumers must handle and cook their food properly to avoid illness.

Mr. CONTE. Both the USDA and the FDA have responsibility for food safety. Do you support efforts to centralize the food safety responsibilities under one roof, and do you think that the USDA should be the lead agency for food safety, or should the FDA take the lead?

Secretary YEUTTER. At this time, the Department has not developed a position as to whether a single inspection agency would be more effective than the current arrangement.

Mr. WHITTEN. Mr. Secretary, we appreciate your appearance. As I have said many times and as you know, being Chairman of Appropriations I'm a member of all thirteen subcommittees and overall this country is faced with many problems. I think the two major ones are drugs and the failure to recognize the part that agriculture plays in our economy.

I remember the first hearing I attended in Congress. It was in an effort to get the State Department to let us sell agricultural products.

From my observation through the years, we've been dominated by our foreign policy. When President Reagan came into office, I wrote him a letter about what I thought about agriculture, and I got a letter back from him agreeing with me.

After that, every time I wrote him, somebody else answered. I was invited down there from time to time on other matters, but never on agriculture.

It just looks from what I read to you, and I have proof of everything I have said, like every time this country gets into a difficult situation, we say just take it out of the farm situation.

We did that for years where we wasted about half of our fertile soil and two-thirds of our timber, letting the farmers take what was left.

I can go back and show you where, under Mr. Benson, if we wanted more out of the farmer, we payed him a higher price; if we wanted less, we payed him a lower price.

It doesn't work that way. The less he makes per unit, the more he has to produce to get by. It's a terrible situation and we just don't seem to realize that agriculture is our biggest dollar earner in world trade and our biggest labor market in the United States.

The facts I present to you are a matter of record. That's what we've done and every time.

ON THE PRICE OF CORN

I have here, this is not new, and I don't know whether you're familiar with it, a copy of Benjamin Franklin's Autobiography and selected writings. A section of this book is titled, "On The Price of Corn."

I'll read part of it. "I am one of that class of people, that feeds you all, and at present is abused by you all; in short I am a farmer.

By your newspapers we are told, that God had sent a very short harvest to some other countries of Europe. I thought this might be in favour of Old England, and that now we should get a good price for our grain, which would bring millions among us, and make us flow in money; that to be sure is scarce enough.

But the wisdom of government forbade the exportation.

Well, says I, then we must be content with the market price at home.

No; say my lords. The mob, you shan't have that. Bring your corn to market, if you dare; we'll sell it for you for less money, or take it for nothing.

Being thus attacked by both ends of the constitution, the head and tail of government, what am I to do?

Must I keep my corn in the barn, to feed and increase the breed of rats? Be it so; they cannot be less thankful than those I have been used to feed.

Are we farmers the only people to be grudged the profits of our honest labour? And why? One of the late scribblers against us gives a bill of fare of the provisions at my daughter's wedding and proclaims to all the world, that we had the insolence to eat beef and pudding! Has he not read the precept in the good Book, thou shalt not muzzle the mouth of the ox that treadeth out the corn; or does he think us less worthy of good living than our oxen?"

It reads on further. So historically we have had the State Department say what we can do.

FAILURE TO SELL

Years ago, the Commodity Credit Corporation had over $10 billion of commodities on hand.

They counted it to cut the acreage down. I took the issue up with Secretary Benson at the time, and he said he would do something about it if he could. Well I showed him that Mr. Truman had declared an emergency and he could, but then his conscience wouldn't let him.

By the time we got him to sell these commodities they had $15 billion worth in the Commodity Credit Corporation. But they didn't have a sales manager, so we created the position.

The Department has let him do everything except sell. So you'll excuse me for being wrought up about this thing. I have a small farm which I rent out for cash.

I don't fool with it, because I don't want to look like it's for personal self-interest. But if we don't look out for our biggest industry, why we'll go in debt more than $3 trillion.

We could, because we have. I've known you a long time, we've been good friends and still are, but we've got to look to somebody that's going to have the nerve to buck this crowd, because we're dominated by international connections. Thank you very much.

Secretary YEUTTER. Thank you, Mr. Chairman. It was nice to be here with you today.

For Release Only by
the House Committee
on Appropriations

Statement by
Clayton Yeutter
Secretary of Agriculture
Before the House Subcommittee on Rural
Development, Agriculture, and Related Agencies
February 21, 1990

Mr. Chairman and members of the Committee, I am pleased to appear before the Committee to discuss our fiscal year (FY) 1991 budget proposals.

Not only will the budget command a lot of attention this year, but we must also develop a new 1990 Farm Bill and complete the GATT trade negotiation now underway in Geneva. This is a year of choices -- choices about how best to achieve deficit reductions, how best to design farm legislation to maximize agriculture's potential in the marketplace, and how best to achieve meaningful changes in the world's agricultural trading rules.

The major focus of this Committee is, of course, the Department's request for appropriations to carry out programs for farmers, ranchers, consumers, and the needy. I would describe the Department's FY 1991 budget request as austere. We believe we have done a good job in putting together a credible budget, while including a number of new budget initiatives that are worthy of funding.

Before addressing our specific budget proposals, I would first like to review the current state of U.S. agriculture.

Current Agricultural Situation and Outlook

The agricultural sector begins the new decade in a much more financially secure and economically sound posture than was the case in the early and mid-1980's. Net farm income in 1989 was at a record level of about $48 billion and net cash farm income, at about $53 billion, was above $50 billion for the fourth straight year. These favorable aggregate net income figures are in part due to improved market receipts from crops and livestock fueled by a recovery in agricultural exports.

Exports in FY 1989 totaled about $40 billion, up from $35 billion in FY 1988 and nearly 50 percent above the FY 1986 level of $26 billion, which was the low point for the decade. The agricultural balance sheet has stabilized in concert with the improved farm income picture. Farmland values rose about 7 percent in 1989 following modest increases in the two preceding years, effectively reversing a long decline.

The financial adjustment has also included a reduction in total farm debt of well over $50 billion since 1983. As a result, the debt-to-asset ratio for the agriculture sector as a whole at 16 percent in 1989 was slightly more favorable than it was in 1980 and substantially improved from the 23.5 percent level of 1985. Although some problems and uncertainties remain, the economic and financial health of U.S. agriculture as a whole has recovered substantially from the severe stresses of the past decade.

The recovery is also reflected in improved financial conditions for farm lenders as well as improved conditions for a number of other agricultural input suppliers, and agriculturally dependent businesses.

Fundamental changes in Government programs to allow more competitive pricing of U.S. farm products in world trade facilitated the turnaround in export sales as did improved macroeconomic conditions. As burdensome surplus stocks have been reduced, commodity prices have strengthened and support program costs have moderated over the past three years. Nonetheless, dependence on Government payments remains relatively high for producers of some commodities.

Outlook for 1990

Commodity prices are expected to be relatively favorable due to strong demand and declining stocks of most crops with the possible exception of feed grains and oilseeds. Production may rise as acreage reduction requirements for wheat, cotton, and rice are lessened bringing more acreage into production.

Potential record meat supplies and bigger crops should moderate food price increases. Retail food price rises of 3 to 5 percent are likely in 1990. This is below the drought-induced rise of nearly 6 percent in 1989. U.S. agricultural exports may decline slightly to about $38 billion in FY 1990, in part due to tight U.S. wheat supplies and increased production abroad. Livestock and poultry output is expected to rise in 1990.

This outlook is sensitive to supply developments both in the U.S. and abroad over the coming months. The longer term outlook for exports will be highly dependent on policy developments both in the U.S. and abroad, as well as on general economic conditions.

Farm income is likely to be relatively stable in 1990 with net cash income likely to rise slightly to the $52 - $57 billion range. Net farm income may drop slightly to the $44 - $49 billion level as moderating prices dampen the value of the fall 1990 harvest.

Continued strengthening of agriculture's financial position is likely in 1990. Land values may rise another 4 to 7 percent and although farm debt likely will rise slightly, farm equity is expected to increase.

As more land goes back into production in 1990 and as commodity production increases, business activity in rural and nonfarm agriculturally dependent businesses may continue to expand.

1990 Farm Bill

In early February, the Administration offered to Congress and the public its proposals for the 1990 Farm Bill. The underlying theme of the agricultural related proposals is increased market orientation and competitiveness. If American agriculture is to grow and prosper during the 1990s, we must be able to respond to new opportunities in domestic and world markets.

Our proposals are designed to continue the transition begun with the Food Security Act of 1985 of moving American agriculture to a more market-oriented basis. Thus, we have made proposals on price-support programs, planting flexibility, stocks policies, and farm credit which are designed to have American farmers respond more to market signals, and less to government programs. Of particular importance are our comprehensive flexibility proposals which are intended to enhance production efficiencies, while also encouraging environmentally sound production practices.

To bolster our competitiveness in international markets, we have offered proposals for increased investment in research and technology. Export promotion programs, which have been instrumental in regaining overseas markets and challenging the unfair trading practices of other countries since enactment of the Food Security Act of 1985, should be extended.

While we seek to foster a competitive U.S. agriculture, our proposals also recognize the national concern for the environment and the conservation of our land and water resources. Our proposals are designed to enhance the resource stewardship of American producers by providing greater production flexibility, incentives to change resource use in targeted, environmentally-sensitive areas, and further research, education, and technical assistance.

We believe our 1990 Farm Bill proposals are consistent with our deficit reduction objectives. Some of the proposals should lead to higher commodity prices, thereby reducing the budget exposure for deficiency payments. Others, such as those to tighten standards and increase efficiencies in the administration of our credit and marketing and inspection programs will also achieve spending reductions. At the same time, new initiatives in conservation and the environment and in research and education will require additional funding. In food programs, we have renewed our commitment to the needy with our proposals to improve program integrity and streamline administration.

Uruguay Round Negotiations

Besides deficit reduction and the enactment of new farm program legislation, the other major challenge we face during 1990 is reaching agreement in the Uruguay Round of multilateral trade negotiations on the liberalization of world agricultural trade. These negotiations hold tremendous potential for American agriculture, and they may well prove to be the most important round of multilateral negotiations on agricultural trade ever held.

The United States has submitted a comprehensive proposal which will provide for a more market-oriented system of world production and trade. Our proposal calls for improved market access, more market-oriented domestic farm programs, a phasing out of export subsidies, and health and sanitary regulations based on sound scientific evidence. Domestic farm programs here and in other countries which do not distort trade would be unaffected.

Other countries have now joined the United States in submitting detailed negotiating proposals on agriculture. This sets the stage for a year of very tough, intense negotiations before the Uruguay Round concludes next December. During the coming months, we will need to achieve agreement with our trading partners on the specifics of a long-term reform program, along with a timetable for its implementation.

We are fully committed to a successful conclusion of the Uruguay Round, including an agreement which ensures our farmers improved market access and the right to compete internationally. Achievement of these objectives will provide the foundation for future economic growth and prosperity for American agriculture, with benefits for producers, consumers, and taxpayers alike.

Should we reach an agreement with our trading partners in the Uruguay Round, that accord will be brought back to the Congress next year for approval. Modifications of our own farm policy structure may then be in order, as our trading partners simultaneously modify their own structures. More than likely this will occur over a period of at least 10 years. If we sustain and enhance our international competitiveness during that period, our exports should rise, farm income should increase, and income supports should decline accordingly.

Since the Uruguay Round negotiations are net yet concluded, we believe it prudent to maintain aggressive export promotion programs in the 1990 Farm Bill and in our FY 1991 budget.

Budget Situation for FY 1991

The program level or financial value of all the Department's program activities for FY 1991 is projected at just over $68 billion. This level of activity is up $1.7 billion over the current estimate for FY 1990. Outlays for FY 1991 are estimated at nearly $49 billion, slightly above the FY 1990 level. Though outlays will change little between FY 1990 and

FY 1991, we are proposing spending restraints compared to what would occur under the so-called current services baseline. Most of our changes are in the form of proposed legislation.

In terms of this subcommittee, we are requesting appropriations totalling $44.3 billion to finance USDA programs under current law. This is substantially above the 1990 level for reasons that I will review during the course of this statement.

At the outset, it should be noted that the Department's FY 1991 budget reflects the implementation of a number of important initiatives dealing with food safety, agricultural research, water quality, global change, strengthening 1890 Land Grant Institutions and beautifying America. These initiatives address major issues that are currently receiving widespread public attention related to the safety of our food supply, our long-term productivity and competitiveness, and the quality of our environment. We want to ensure that our food supply is as safe as it can be, that our farmers are productive and competitive in world markets, and that the environment is protected.

I would now like to address the funding for these initiatives as well as the funding for the traditional programs of the Department.

Research and Education Programs

Agricultural producers are entering a new age where issues not traditionally associated with production agriculture are coming to the forefront. While producers continue to face insect, disease and other constraints on production, environmental and consumer issues increasingly have major implications for agriculture. Significant advances in the biological sciences place researchers in an exciting position to address these long-term and emerging issues with a greater probability of success. We cannot afford to miss the opportunity to invest in our future--our global competitiveness and environmental quality are at stake. The President's budget recognizes the need to do so through research and development.

As part of the President's program, we are proposing $100 million in competitive grants to fund the first year of a National Initiative for Research on Agriculture, Food and Environment. Based on the recommendation of a recent National Research Council report, entitled "Investing in Research: A Proposal to Strengthen the Agricultural, Food and Environmental System" the initiative includes a commitment for annual increases of $50 million, provided that funds are made available for competitively awarded grants.

An especially promising area is plant genome mapping--locating economically important genes to make rapid transfer of desirable traits a reality. A $15 million genome program, to be managed by ARS, is included in the Initiative. Armed with the genome information, scientists will have the tools to quickly transfer pest resistance, drought tolerance and other characteristics to address specific needs of farmers. It is this ability to solve applied farm level problems that is the real value of the initiative, and the genome example is only one of many that could be cited. I want to emphasize my strong support for this vital initiative, which I consider crucial to our competitive posture, and I would urge your support as well.

The land grant universities should be strong contenders for grants through the National Research Initiative, and there is a provision built into the proposal for strengthening grants for smaller, less developed institutions. At the same time, we are proposing increases in the basic Hatch and 1890's formulas to support a continued partnership with the land grant institutions. Our Federal laboratories also merit strong support given their critical role in providing the scientific basis for other programs and initiatives of the Department. Proposals for in-house programs will focus on water quality, global change, food safety and animal health. Increases are also proposed for important plant and animal germplasm programs which provide the pool of vital genetic resources in support of the entire agricultural research community.

In a recent speech, President Bush emphasized the need for a strong research program to understand the future impact of increasing greenhouse gas concentrations to provide a basis for weighing policy options. Certainly, global change has the potential to significantly change our landscape, including agriculture as we currently know it. In addition, agriculture has the potential to contribute to the forces of global change in ways not yet fully understood. With so much at stake, it is crucial that we provide sufficient investment in research in this area to support the policymaking process. USDA is a full partner in the President's global change research initiative which is being coordinated through the Committee on Earth Sciences. Our FY 1991 budget for global change research totals $47 million, more than double the FY 1990 level.

Additional funds are also proposed for food safety research to support our food safety initiative and ongoing inspection programs. We must be in a position to assure a safe food supply, and our ability to do so will rely on application of the best science at the producer level and on the ability of regulatory agencies to test for residues and contaminants. We see an important role for the Extension Service in the area of producer and consumer education on food safety, and we are proposing a new program in that area.

Our ability to perform cutting edge research will hinge on the availability of human resources and the advanced physical facilities demanded by modern research procedures. We are proposing targeted increases for competitive higher education programs for graduate training and curricula development and other institution strengthening programs. A program initiated in FY 1990 with the cooperation of this committee to strengthen the capacity of the historically black 1890 institutions would be doubled to target development of expertise in underrepresented minorities. This is complementary to the President's broader program of education initiatives, especially those directed toward supporting the historically black colleges and universities. We believe the principles of cost-sharing and competitive awards are important to the success of these higher education programs. Congressional support for these principles is appreciated, and the prospect of obtaining matching funds for the 1890 Institutions' initiative this year provides the basis for our recommendation that matching be made a requirement in FY 1991. We are also continuing our facility modernization efforts, with funding for major construction projects at four labs, including Beltsville, Maryland.

Before I leave the Research and Education area, I want to highlight a new Youth at Risk program which we propose in line with the President's initiatives in youth education, training and programs to curb drug abuse. We would provide funds and university-backed Extension expertise to assist prevention/intervention projects in targeted communities--those with high poverty rates, teenage pregnancy, drug use and other factors which put children at risk. There are some youth at risk Extension efforts already underway which look very promising. We believe that Extension plays a critical role in providing stable, research-based support to these programs and that their effort should be expanded on a national basis.

Food Safety

Food safety is of great concern to farmers and consumers. Recently, a number of highly publicized regulatory actions concerning pesticide use have raised questions about the safety of the nation's food supply. The data used to support claims that pesticides and food additives are unsafe overstates actual dietary risk. The claims are based on information which comes from the data used in the pesticide registration process administered by the Environmental Protection Agency. Those evaluations assume that farmers would use all of the approved pesticides at the maximum allowable amounts for the maximum number of approved applications. This theoretical risk far exceeds field conditions. The dilemma facing the Government is that it simply does not have adequate information to sufficiently validate actual occurrences of harmful pesticide residues on food at the consumer level.

The Department proposes, for the first time, to estimate statistically reliable residue exposure for the average person's diet. These data would also be used to examine selected food sources for vulnerable groups of the population such as the very young, the elderly, the poorly educated and low income people. The $25 million initiative included in our FY 1991 budget request would "piggy-back" statistically based tests on to existing State pesticide residue testing programs. We would increase our data of on-farm pesticide use, compiled for water quality purposes. These data would be used to estimate the impacts of alternative pesticide policies, programs, and practices and to conduct additional research on the economics of food safety.

The President's Food Safety proposal, which was recently submitted to the Congress, would repeal the zero risk Delaney clause in the Federal Food, Drug and Cosmetic Act and replace it with a more rational negligible risk standard.

Residues which could only be detected if they existed in parts per thousand twenty years ago are now detected if they exist in parts per trillion. Therefore, zero tolerance is no longer a good guide for evaluating health risk.

We have a number of ongoing efforts in food safety. The residue testing program for meat and poultry has a 95 percent level of confidence that a residue in one percent of the product will be detected. Our research programs, which provide the scientific support for inspection and other regulatory programs are increased under our FY 1991 budget proposals. The Extension Service provides information to help producers minimize pesticide applications through the use of Integrated Pest Management and other programs. To improve our food safety efforts, we propose to expand research and provide that the egg products inspection program include testing for residues. In addition, we are proposing that the 1990 Farm Bill provide that grains going to export markets be tested to determine whether aflatoxin exceeds levels approved for food use.

Soil and Water Conservation

The President, in his January address to the American Farm Bureau Federation in Orlando, Florida, stressed the importance of maintaining American agriculture's productivity without sacrificing environmental protection, especially in the area of water quality. The Congress responded favorably to our FY 1990 water quality budget proposals, and we are well underway in implementing expanded research and technology transfer programs. We hope to address many of the more serious water quality problems through these efforts. We believe that this will encourage farmers and ranchers to voluntarily adopt management practices shown to have significant environmental benefits. I strongly favor a voluntary approach to this problem rather than the heavy and often counterproductive hand of Federal regulation. We need to assist farmers in this effort. In this connection, I recently announced the selection of 37 hydrologic units which will receive targeted education, technical and financial assistance to address identified agriculture related water quality problems. Eight demonstration projects have also been funded this year to show farmers and ranchers first hand how the most advanced management practices can improve water quality.

Obviously, an initiative of this magnitude requires that these water quality programs be carefully coordinated both within the Department and governmentwide. To assure that this coordination is effective, we have established a USDA Working Group on Water Quality as part of our policy coordination framework under the leadership of Deputy Secretary Parnell. Specific day-to-day leadership on water quality is provided by our Deputy Assistant Secretary for Science and Education, Dr. Harry Mussman. I am encouraged by the progress made so far in implementing the initiative, and we have made certain that the Environmental Protection Agency, the Geological Survey, and the Commerce Department are included as full participants in our research and education planning process.

We further recognize that an effective water quality program will require a sustained, long-term effort, and our FY 1991 proposals reflect the need for additional research, data collection and technology transfer efforts. Success of the program will be measured by the level of adoption of best management practices by producers. And to assure this success, education and technical assistance programs will be available so that these improvements in production practices are applied in the field.

Work on implementing the conservation provisions of the Food Security Act of 1985 also has been progressing well and remains on schedule. Sufficient funding for Soil Conservation Service (SCS) technical assistance will ensure that this work continues and that the deadlines are met. SCS has completed its highly erodible land determinations, as well as the conservation planning required by the 1985 Act. About 30 percent of the planned measures have already been installed. The level of technical assistance requested for FY 1991 will enable the SCS to continue the implementation of plans and to make any revisions to existing plans that may be required.

The USDA budget supports the President's commitment to encourage wetlands preservation and enhancement. As you know, wetland issues affect both our conservation programs and sales of inventory property owned by the Farmers Home Administration. In the conservation area, we will continue to implement the swampbuster provision of the 1985 Act by using SCS technical assistance funds for wetland determinations and inventories on those wetlands with a high potential for conversion to cropland. We hope to complete these inventories by the end of 1992. Another activity that benefits wetlands is the Water Bank Program, which is administered by the Agricultural Stabilization and Conservation Service (ASCS). We are proposing that the statutory authority for this program be broadened to enable the Department to offer program participants payment for permanent easements in addition to current 10-year contracts. In summary, we support the need to protect our wetlands while also recognizing the private property rights of our farmers.

The Food Security Act of 1985 also authorized the Conservation Reserve Program (CRP), which through nine signups has removed nearly 34 million acres of highly erodible cropland from production. The FY 1991 budget request would allow up to 40 million acres to be enrolled in the reserve. In outlining proposals for the 1990 Farm Bill, we have recommended that the focus of the CRP be shifted to water quality and wetlands preservation. Even under current legislation, we have begun to direct the program towards these purposes.

For the first time in many years, we are proposing to fund the Agricultural Conservation Program (ACP). This program will provide cost-sharing for the Department's water quality activities as well as restore and protect basic land and water resources. We view this program as an integral part of our overall conservation effort.

The Department's budget also contains $175 million for the Forest Service to encourage tree planting on non-Federal lands as part of the President's "America the Beautiful" initiative. This initiative will help improve the quality of life in both urban and rural areas, reduce energy requirements to heat and cool buildings, address concerns about the buildup of atmospheric carbon dioxide, and demonstrate an American commitment to worldwide forest management. Cost share funds to carry out the initiative will be administered by ASCS, via a transfer from the Forest Service, to assure efficient program implementation. Finally, the initiative complements ongoing tree planting activities under the Department's existing conservation programs, which include the reforestation of Federal lands, the Forestry Incentives Program (FIP), and tree planting practices under ACP.

Rural Development

During the past year, the Department and the White House initiated efforts to examine the Federal role in rural development and determine what improvements could be made within existing resources. I created an internal USDA Task Force on Rural Revitalization, and the President established a Working Group on Rural Development, which I chair, within the Economic Policy Council. Both groups concluded that while agriculture is an important source of income for rural areas, these areas cannot remain totally dependent on agriculture and ensure economic growth. They must diversify their economic base. Non-farm jobs are essential if rural areas are to grow.

Both groups also concluded that while most of the existing Federal programs have been successful in meeting specific quality of life objectives, they have not added much to the capacity of rural areas to achieve economic growth. Moreover, these programs have not been administered with a sufficiently long term perspective.

The Economic Policy Council Working Group on Rural Development proposed the establishment of a President's Council on Rural Development and establishment of Rural Development Councils in each state to serve as a source of policy advice for diversifying and strengthening our rural economies.

The Department has also taken a number of steps to improve our approach to rural development problems. The 1991 budget requests funding for an Assistant Under Secretary position to be added to the staff of the Under Secretary for Small Community and Rural Development. The intent is to provide a long-term focus to rural development policymaking within the Department and to coordinate the Department's activities with other Departments, state and local governments and public interest groups. The Department will also establish a Department-level long range rural development planning process to link policy and program decisions.

Improving our performance does not require a dramatic shift in current programs or funding levels. Of greater need is a governmentwide commitment to improved program delivery and assistance.

We propose shifting a portion of the existing community loan programs from direct to guaranteed lending. In so doing, we will attract private capital and acquaint private lenders with the economic opportunities that exist in many rural areas, and thereby stimulate additional investment.

The FY 1991 budget for the Farmers Home Administration (FmHA) community programs reflects a significant policy shift toward guaranteed lending. The budget for FmHA includes $300 million in direct and $50 million in guaranteed water and waste disposal loans; $100 million in water and waste disposal grants; $46 million in direct and $50 million in guaranteed community facility loans and $30 million in the Rural Development Loan Fund. Guaranteed loans will be used to assist those communities that require minimal Federal assistance to qualify for private credit. The budget proposes termination of the guaranteed business and industry loan program, since these needs can be well served by the Small Business Administration.

Rural Electrification

In contrast to previous budget recommendations, we are proposing to continue the Rural Electrification Administration (REA). However, we are recommending much needed reforms that will reduce the amount of direct loan assistance and rely more on the private sector to provide financing for these projects. The budget includes $200 million in direct electric distribution loans and $1.1 billion in guaranteed loans for both electric distribution and power supply borrowers. For telephone borrowers, we recommend $125 million in direct loans and $200 million in loan guarantees. All telephone loans and guarantees would be made by the Rural Telephone Bank (RTB), which should be more efficient than the current split between REA programs and the RTB. We are proposing legislation to effect the necessary reforms in REA programs and to facilitate the shift to guarantees of private sector loans.

Rural Housing

For rural housing, we propose to maintain and improve FmHA's existing programs to provide maximum flexibility for tailoring assistance to the individual needs of rural residents who lack decent, safe, and sanitary housing. Our proposal will provide assistance to about 66,500 units, approximately the same number provided by the FY 1990 appropriations act. This is a major change from previous budget recommendations which would have terminated FmHA's existing programs in favor of a voucher program with only one-third the number of units.

For families who can be served through private sector financing, we propose that $594 million be made available for guaranteed single-family housing loans. To ensure that more low-income families are able to qualify for these loans, we propose to provide an interest subsidy. This subsidy would average five percent and would apply to half the amount of guaranteed loans that would be available.

The direct loan programs for both single-family housing and rental housing would be continued at levels of $609 million and $391 million, respectively, which compare to levels of $1.3 billion and $572 million for FY 1990. These loans will be used to reach families who cannot be served through private sector financing. Borrowers' interest rates on these loans may be subsidized down to one percent. Further, $270 million in rental assistance payments will be used to provide an additional subsidy on FmHA financing rental housing so that very low-income families who receive rental assistance pay no more than 30 percent of their income for rent. In addition, we propose $190 million for rural housing vouchers to serve those very low-income families who reside in areas where there is an adequate supply of rental housing. Vouchers will allow recipients to choose their own housing, within reasonable limits, and make it affordable for them to rent.

Agricultural Credit Programs

One of the largest appropriations requests in this budget, over $6 billion, is to reimburse the Agricultural Credit Insurance Fund for its losses. The magnitude of this request is strong evidence of the problems FmHA has had in recent years with its farm loan portfolio. The fact is that when farmers went through troubled times in the late 1970's and early 1980's the FmHA responded with understandable compassion. Loans were made for the sole purpose of keeping farmers in business. By the mid-1980's, over 270,000 farmers were receiving special help from FmHA in the form of new loans and servicing actions on outstanding indebtedness. While this was a compassionate policy, it was also very costly. These costs have become clearer as we have proceeded with the actions mandated by Congress in the Agricultural Credit Act of 1987. Over 75,000 FmHA borrowers with long-term delinquencies have been notified of servicing options under this Act.

Our policy is to try to refocus FmHA back to its original mission of providing temporary credit for young and beginning farmers and those established farmers who suffer financial setbacks. We want to be compassionate but wise stewards of the public's money. Thus, we want to complete the job which was begun under the Agricultural Credit Act, and we want to continue the shift from direct FmHA lending to guarantees of private sector credit.

To be frank, we have not been as successful as we would have liked with guaranteed lending. While guaranteed lending has exceeded direct lending for the last three years, it has been less than half the authorized levels.

Not all states have fully participated in these programs. And, most importantly, many borrowers who could be shifted to guaranteed loans have continued to rely on direct loans.

Our FY 1991 budget is designed to rectify this situation. It provides for $2.7 billion in guaranteed farm loans, more than double the amount used in FY 1989. Direct lending would be reduced to about $560 million, compared to $1.0 billion used in FY 1989 and $1.1 billion available in FY 1990. To ensure that borrowers are able to qualify for guaranteed loans, we propose to initiate a new subsidy program to write-down the interest rate on up to $400 million of these loans by an average of 3 percent -- enough to make them competitive with direct loans. This initiative can be carried out under existing legislation. Further, I will mention that our 1990 Farm Bill proposals include a recommendation to facilitate FmHA guaranteed lending by making these loans eligible for the Farmer Mac secondary market that is being established by the Federal Agricultural Mortgage Corporation, a Farm Credit System institution.

While we intend to continue encouraging guaranteed lending, we also plan to provide for better targeting and more supervision under our direct loan programs. Further, FmHA will continue to assist its 200,000 plus borrowers through a wide range of servicing options, including the restructuring provisions of the Agricultural Credit Act of 1987.

Disaster Assistance

As I have said many times before, we cannot continue to provide both highly subsidized crop insurance and disaster payments. The combination has cost the American taxpayer an average of $1.1 billion annually since 1981. Yet both programs have major shortcomings. Administrative costs have been high, there have been inequities in the distribution of benefits, and producers have had to cope with the uncertainty of whether assistance would be available when needed.

The level of participation in the crop insurance program has not been sufficient to avoid ad hoc disaster payment legislation, even with a 30 percent Federal subsidy. And, of course, ad hoc disaster assistance undermines the incentive to participate in crop insurance. We have given a great deal of consideration to how the program might be improved, including a thorough review of the recommendations made by the independent Federal Commission for the Improvement of the Crop Insurance Program. But we have found no way to increase participation significantly without also increasing taxpayers' costs. Therefore, we are proposing that the program be terminated, effective with the 1991 crop.

We are proposing to replace the crop insurance program with standing authority for disaster payments. This program would assist producers facing serious losses and would be compatible with supplemental private sector insurance. These payments would be made available to producers of crops in counties where county average crop yields fall below 65 percent of normal yields as estimated by the National Agricultural Statistics Service

(NASS). Individual farmers in eligible counties would receive payments for any yield shortfalls below 60 percent of county normal yield. Payments would be based on 65 percent of average market price for three years and would be subject to certain limitations. All crops now covered by crop insurance, including hay and forage, would be included, which accounts for over 93 percent of total U.S. cropland.

The budget before this committee includes funding to continue the crop insurance program under current law. However, if the Congress passes legislation to implement the proposals I have outlined, we would then adjust our appropriations request accordingly.

Farm Price and Income Support Programs

Commodity Credit Corporation (CCC) spending for commodity price and income supports rose to a record level of $25.8 billion in FY 1986, but declined to $10.5 billion by FY 1989. For FY 1990, we project a further decline in CCC spending to $8.2 billion. The President FY 1991 budget projects spending under these programs to increase to $10.2 billion, an increase of $2.1 billion over the 1990 level. This level of spending is based on the three assumptions: more normal crop production in 1990 and 1991, target prices which are frozen at the 1990 level, and legislated program savings of $1.5 billion.

We have not proposed specific changes for achieving budget savings but Chapter V of the President's budget summarizes some of the approaches we have in mind. Target prices and/or payment bases could be reduced; or payment limits could be tightened. All of these can affect deficiency payments. We prefer to work with the Congress in determining the most propitious way to achieve the necessary budget objectives within a sound policy framework.

Our top priority for price and income support programs is to reduce the rigidity of present programs. We have learned that it can be very costly to base program design upon assumptions which later fail to materialize. Our supply situation is such that we must meet any major shift in world demand out of current production rather than out of accumulated surpluses.

Therefore, farmers need the flexibility to respond to rapidly changing market conditions. Our 1990 Farm Bill proposal includes the concept of normal crop acreage for program crops. We would guarantee deficiency payments on permitted acres, regardless of which program crop is grown. This means producers will choose among crops based on market prices, not target prices.

Export Programs

Agricultural trade reform will hopefully emanate from the Uruguay Round negotiations this year, but until that occurs, we must continue those export programs and activities which ensure our ability to compete in international markets. Our FY 1991 proposals continue our commitment of recent years to bolster our competitiveness and expand markets for our agricultural products overseas. A total program level of $8.2 billion is requested for the Department's international programs and activities, an increase of $276 million over the 1990 level.

The Export Enhancement Program (EEP) is among the most important of our export activities. The EEP has allowed us to challenge those competitor countries that use trade-distorting subsidies, while contributing to our strategy for achieving Uruguay Round reform. The past two years, Congress has imposed an annual limitation on the value of bonuses that can be awarded under the program. Because this action is counterproductive to our trade negotiating strategy, we strongly urge that a limitation not be imposed again this year when the Uruguay Round negotiations are in their most critical stage.

Our export credit guarantee programs have also contributed significantly to recent improvements in our agricultural export performance. Sales registered under the CCC export credit guarantee programs have increased 80 percent over the past two years. During FY 1991, we plan to make available $5.5 billion of CCC export credit guarantees, a continuation of this year's level.

In addition to providing valuable commodity assistance and promoting economic development, the P.L. 480 program contributes to the Department's market development efforts. The budget requests a total program level for P.L. 480 of just under $1.5 billion for FY 1991. This is expected to provide for total commodity shipments of 6.4 million metric tons, an increase of approximately 500,000 tons above this year's estimated level.

During 1991, we will also continue our commitment to long-term market development activities through both the Foreign Market Development Cooperator and Targeted Export Assistance programs administered by the Foreign Agricultural Service. These programs support overseas market promotion activities carried out in conjunction with nonprofit trade and producer associations, as well as U.S. private firms. The FY 1991 budget provides for a continuation of these activities at this year's levels.

Food Assistance Programs

With our FY 1991 budget proposal, this Administration continues its commitment to fund programs for the needy. We request an increase of $600 million in program level for the domestic food assistance programs, plus indefinite budget authority for food stamps. Part of this proposal is the reauthorization of each program that would otherwise expire, including the Food Stamp Program, the Food Distribution Program on Indian Reservations, the Commodity Supplemental Food Program, and the Temporary Emergency Food Assistance Program (TEFAP). Overall, we are requesting $23.9 billion for the food assistance programs in FY 1991, which is over half of the appropriations request for all USDA programs.

The Food Stamp Program is the foundation of our national nutrition assistance to low-income Americans. The committee will note some changes in the structure of our appropriations request for the program. Because participation in recent months has increased faster than we would expect based on historical experience, it is difficult to predict total program costs this early in the year with as much precision as we would like. Our estimate for FY 1990 is higher now than when the FY 1991 budget was prepared. Our general expectation is that these higher than anticipated participation levels will persist. Since average benefits have grown, even relatively small percentage changes in participation can have substantial consequences.

For this reason, the budget includes a request for "such sums as may be necessary" to finance the program for the remainder of this fiscal year. For 1991, our request of $15.9 billion includes $500 million in budget authority only to help account for this uncertainty. This is our way of trying to assure that food stamp benefits for needy people are not disrupted by a shortage of funds.

In carrying out the Food Stamp Program, we are committed to working with Congress, the Department of Health and Human Services, the White House Low Income Opportunity Board, the states, and others to better coordinate the program with other social welfare programs. Further, we will work to increase conformity among these programs and to simplify administration.

Our proposals for food stamps also provide for demonstration grants to reach out to homeless people. Most are eligible for food stamps, yet few participate. We believe that innovative activities will increase their participation.

We also believe that the needy are best served by strong programs with equally strong accountability. It would be a disservice to those in need to allow program abuses to undermine the broad public support these programs now enjoy. We will continue to work with all concerned to develop reasonable, effective measures to protect each food assistance program against abuse. This includes greater use of electronic benefit transfer systems in lieu of food coupons, stronger store monitoring procedures, and tougher penalties for abuse in the Food Stamp Program. And it includes efforts to assess and solve program integrity problems in the Child Nutrition Programs, the Special Supplemental Food Program for Women, Infants and Children (WIC) and other programs.

The President's budget not only requests reauthorization of TEFAP, it reauthorizes the purchase of commodities to supplement the donation of surplus commodities, and it includes funds for intra-State storage and distribution expenses. TEFAP helps those who choose not to receive food stamps, as well as food stamp and other food assistance program recipients who seek additional help.

The President's budget requests several legislative changes to the Child Nutrition Programs. Subsidies would be increased in the School Lunch Program such that the maximum price of reduced price lunches would drop from $0.40 to $0.20. Also, school lunch subsidies for children from families with incomes greater than 350 percent of poverty, i.e., $42,350 for a family of 4, would be ended.

"Free meal" subsidies for the non-needy in family day care homes would be reduced and made comparable to the subsidies provided for meals served in child care centers. This eliminates the current inequity of free meal subsidies for the non-needy in family day care settings, while similarly situated children in centers receive meal subsidies at the lower, paid meal rate. With this proposal, the non-needy in both child care centers and home day care settings would pay a share of the cost of their meals.

While our request includes some belt tightening for the non-needy, this is the highest request in history for food programs. It will allow us to continue to work in partnership with State and local governments, as well as with volunteers, to magnify all our efforts to help the needy.

We have also requested an increase for the Human Nutrition Information Service so that it can develop information and data on pesticide residues in consumer food products as part of the Department's food safety initiative, and continue its traditional role in national nutrition monitoring and nutrition education.

Marketing and Inspection Programs

As you know, many marketing and inspection programs provide direct benefits to the private sector and are funded through user fees. This budget includes legislative proposals to charge for the costs of developing commodity quality standards. The budget also proposes that Federal market orders be assessed for the costs of national administration and market analysis.

In contrast to previous years, this budget retains the small marketing programs and agencies that provide assistance to developing markets and promote fair and open competition.

The Animal and Plant Health Inspection Service is responsible for protecting U.S. agriculture from diseases and pests. The Agricultural Quarantine Inspection Program is the Nation's frontline defense against the introduction of dangerous agricultural pests and diseases from other countries. The budget proposes to move the financing of this program to a user-fee basis. International travelers should pay a reasonable fee for those activities that are needed to safeguard agriculture from the risks caused by travel to foreign countries.

The Brucellosis program will be accelerated in order for all states to be classified as free of this disease in 8-10 years. The Boll Weevil, Medfly, Biocontrol, Animal Disease Detection, Animal Damage Control, Animal Welfare and National Poultry Improvement Programs are among a number of important plant pest and animal disease control programs that we are requesting funding for in the budget.

We have also recently transferred $21.8 million of CCC funds to APHIS because of serious threats to agriculture caused by outbreaks of the Mediterranean and Oriental Fruit Flies in California and the increasing spread of Salmonella enteritidis in the poultry industry. We are also requesting funds to complete construction of the Wildlife Research Center in Colorado, to begin construction of the National Germplasm Quarantine Center at Beltsville, and to improve the Plum Island Disease Center in New York.

Economics and Statistics

Sound, well directed programs for the collection of agricultural statistics and economic research and analysis will be essential to meet the challenges of the new decade. These include efforts to enhance the efficiency and competitiveness of agriculture and to address increasingly urgent food safety, environmental and other concerns. Production, marketing and investment decisions of our producers and agricultural businesses need to be based on reliable economic information and intelligence. These needs will grow as we strive to make agricultural production increasingly sensitive to market forces. The Department's economics and statistics programs also provide an important part of the foundation for well informed decision-making in the development of public policy. Increased funding to strengthen our traditional work in this area would constitute a useful investment in our view. We are also proposing an expansion of our data effort in the important area of farm labor. In addition, we are proposing a major thrust to expand agricultural chemical use data collection and analysis to support our food safety initiative as well as to strengthen our information base for addressing water quality and pesticide regulation issues. This new thrust would help fill a major gap in the government's currently available information for addressing these urgent issues.

Departmental Administration

The proposed budget provides funding to strengthen management oversight of the Department. Vigorous efforts for improvement of internal financial controls and for timely resolution of audits will continue. Resources are requested for additional audits and investigative activities. Resources are also requested to provide additional legal services to enhance environmental program review and decisionmaking. Additional funding is proposed to continue to allow more rapid clean-up of hazardous wastes at USDA facilities is also proposed. The Department's programs for minorities will be expanded to increase the number of minority employees and to promote rural development through the efforts of minority businesses.

It is my intention to work closely and cooperatively with Congress to address the budgetary and legislative challenges we face. I believe strongly that we can work together effectively, and by doing so, significantly help American agriculture.

That concludes my statement, Mr. Chairman. I would be happy to answer any questions you and the other members of the committee may have.

TUESDAY, FEBRUARY 20, 1990.

BUDGET OVERVIEW

WITNESSES

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

LARRY WACHS, BUDGET OFFICE, DEPARTMENT OF AGRICULTURE

ROBERT E. SHERMAN, BUDGET OFFICE, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The Committee will come to order. We are glad to have with us today Mr. Dewhurst and his associates in connection with the budget for the Department of Agriculture, for fiscal year 1991.

As the record shows, some years ago, we changed the title to Subcommittee on Rural Development, Agriculture, and Related Agencies.

That was deliberate on my part so far as recommending it to the subcommittee and to the full Committee because, as fewer and fewer people were engaged directly in agriculture, we needed some approach to urban Members. We also needed some appreciation for the importance of agriculture by urban Members.

From time to time, I get asked why am I so interested in city gardening. I said, how would you get the votes from Chicago and Detroit and all these other large cities?

So rural America does cover about 84 percent of the country. Many members do not seem to realize that fact. Many folks at the Office of Management and Budget do not seem to realize it, and what frightens me is the Department of Agriculture doesn't seem to realize it either.

Mr. Dewhurst, you had a very successful tenure there, and we appreciate your support and your frankness with us about what the situation is.

As I say, Mr. Myers and I are on many other subcommittees. I'm on Defense and all the rest and work with Public Works, all those things, and so is Mr. Myers, so we have a broad perspective.

But it is greatly disturbing to see the public attitude, including some folks at the Office of Management and Budget about agriculture.

We'll be glad to have your presentation at this time.

[The table showing increases and decreases in appropriations and loan levels follows:]

OFFSET
CAMERA COPY

UNITED STATES DEPARTMENT OF AGRICULTURE

Statement of Increases and Decreases in Appropriations and Loan Levels,
1991 Estimate Compared with 1990 Adjusted Appropriations Under Current Law

Prepared for the House Subcommittee on Appropriations for
Rural Development, Agriculture and Related Agencies
(Dollars in Thousands)

	Summary of Totals		
	1990 Adjusted Base	1991 Request	Change
Commodity Credit Corporation	4,233,000	6,100,000	1,867,000
All Other Appropriations	34,643,686	38,195,155	3,551,469
Appropriations, Current Law	38,876,686	44,295,155	5,418,469

Agency or Item	1990 Presequester	Sequester: Amount	1990 Adjusted Base	1991 Request	Change
AGRICULTURAL RESEARCH SERVICE:					
Research on Soil and Water Conservation	74,595	-1,030	73,565	89,043	15,478
Research on Plant Sciences	219,612	-3,023	216,589	229,752	13,163
Research on Animal Sciences	101,232	-1,399	99,833	104,120	4,287
Research on Commodity Conversion and Delivery	111,653	-1,540	110,113	122,048	11,935
Human Nutrition Research	48,543	-670	47,873	48,027	154
Integration of Agricultural Systems	12,277	-169	12,108	12,228	120
Repair and Maintenance of Facilities	25,263	-349	24,914	17,364	-7,550
Contingencies	941	-13	928	928	0
Subtotal, Agricultural Research Service	594,116	-8,193	585,923	623,510	37,587
Buildings and Facilities	10,675	0	10,675	32,600	21,925
TOTAL, Agricultural Research Service	604,791	-8,193	596,598	656,110	59,512
COOPERATIVE STATE RESEARCH SERVICE:					
Payments under the Hatch Act	157,045	-1,987	155,058	158,545	3,487
Cooperative Forestry Research	17,500	-221	17,279	12,975	-4,304
Payments to 1890 Colleges and Tuskegee University	25,333	-321	25,012	26,169	1,157
Special Research Grants	74,063	-936	73,127	30,965	-42,162
Competitive Research Grants	43,066	-545	42,521	100,000	57,479
Animal Health and Disease Research, Section 1433	5,476	-69	5,407	0	-5,407
Federal Administration (Direct Appropriation)	13,507	-171	13,336	12,239	-1,097
Higher Education	6,004	-76	5,928	6,000	72
Subtotal, Cooperative State Research Service	341,994	-4,326	337,668	346,893	9,225
Buildings and Facilities	45,686	-578	45,108	0	-45,108
TOTAL, Cooperative State Research Service	387,680	-4,904	382,776	346,893	-35,883
EXTENSION SERVICE:					
Smith-Lever Sections 3b&c	244,094	-1,822	242,272	246,535	4,263
Smith-Lever Section 3d:					
Food Safety	0	0	0	2,000	2,000
Youth at Risk	0	0	0	10,000	10,000
Water Quality	5,250	-39	5,211	15,500	10,289
Food and Nutrition Education	58,635	-438	58,197	21,600	-36,597
Pest Management	7,164	-54	7,110	7,164	54
Farm Safety	970	-7	963	0	-963
Pesticide Impact Assessment	2,580	-19	2,561	3,580	1,019
Urban Gardening	3,500	-26	3,474	0	-3,474
Financial Management	1,427	-11	1,416	0	-1,416
Rural Development Centers	950	-7	943	0	-943
Renewable Resource Extension Act	2,765	-21	2,744	0	-2,744
D. C. Extension	953	-7	946	1,000	54
Disadvantaged Farmer Assistance Grants	3,350	-25	3,325	0	-3,325
1890 Colleges and Tuskegee University	22,000	-164	21,836	23,092	1,256
1890's Facilities	9,508	-71	9,437	9,508	71
Federal Administration and Coordination	8,811	-66	8,745	5,697	-3,048
TOTAL, Extension Service	371,957	-2,777	369,180	345,676	-23,504
NATIONAL AGRICULTURAL LIBRARY	14,883	-207	14,676	15,773	1,097

Agency or Item	1990 Presequester	Sequester Amount	1990 Adjusted Base	1991 Request	Change
ANIMAL AND PLANT HEALTH INSPECTION SERVICE:					
Agricultural Quarantine Inspection	65,511	-896	64,615	74,969	10,354
Boll Weevil	13,019	-178	12,841	9,816	-3,025
Grasshopper/Mormon Cricket	8,635	-118	8,517	6,078	-2,439
Imported Fire Ant	4,291	-59	4,232	1,552	-2,680
Medfly	9,864	-135	9,729	10,431	702
Brucellosis Eradication	62,786	-859	61,927	64,553	2,626
Screwworm	32,045	-438	31,607	33,391	1,784
Biotechnology	4,750	-65	4,685	6,518	1,833
Animal Damage Control	29,815	-408	29,407	32,051	2,644
Contingency Fund	4,500	-57	4,443	4,500	57
Animal Welfare	7,567	-103	7,464	8,688	1,224
All Other	109,399	-1,500	107,899	115,403	7,504
Subtotal, Animal & Plant Health Insp. Serv.	352,182	-4,816	347,366	367,950	20,584
Buildings and Facilities	13,645	-37	13,608	25,396	11,788
TOTAL, Animal & Plant Health Inspection Serv.	365,827	-4,853	360,974	393,346	32,372
FOOD SAFETY AND INSPECTION SERVICE:					
Slaughter Inspection	245,701	-3,429	242,272	257,115	14,843
Processing Inspection	104,602	-1,460	103,142	108,561	5,419
Import-Export Inspection	10,629	-148	10,481	10,946	465
Laboratory Services	24,775	-346	24,429	25,738	1,309
Grants-to-States	37,092	-518	36,574	38,522	1,948
TOTAL, Food Safety and Inspection Service	422,799	-5,901	416,898	440,882	23,984
FEDERAL GRAIN INSPECTION SERVICE	8,185	0	8,185	10,443	2,258
AGRICULTURAL COOPERATIVE SERVICE	4,714	0	4,714	4,764	50
OFFICE OF TRANSPORTATION	2,397	0	2,397	2,429	32
PACKERS AND STOCKYARDS ADMINISTRATION	9,562	0	9,562	10,687	1,125
AGRICULTURAL MARKETING SERVICE:					
Marketing Services:					
Market News	16,366	0	16,366	17,694	1,328
Inspection and Standardization	13,344	0	13,344	15,136	1,792
Market Protection and Promotion	1,838	0	1,838	17,737	15,899
Wholesale Market Development	1,623	0	1,623	1,684	61
Subtotal, Marketing Services	33,171	0	33,171	52,251	19,080
Payments to States and Possessions	1,250	-14	1,236	942	-294
TOTAL, Agricultural Marketing Service	34,421	-14	34,407	53,193	18,786
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:					
Conservation Reserve Program	1,010,978	0	1,010,978	1,878,038	867,060
Agricultural Conservation Program	184,935	-2,566	182,369	176,000	-6,369
Forestry Incentives Program	12,446	0	12,446	12,446	0
Water Bank Program	12,371	-131	12,240	10,498	-1,742
Emergency Conservation Program	10,000	-73	9,927	0	-9,927
Colorado River Basin Salinity Program	10,420	-79	10,341	14,783	4,442
Dairy Indemnity Program	5	0	5	0	-5
Salaries and Expenses	(632,698)	(-8,856)	(623,842)	(630,406)	(6,564)
TOTAL, Agricultural Stabilization and Conservation Service	1,241,265	-2,849	1,238,416	2,091,765	853,349
FEDERAL CROP INSURANCE CORPORATION:					
Administrative and Operating Expenses	225,626	-2,932	222,694	314,429	91,735
Federal Crop Insurance Corporation Fund	162,939	0	162,939	286,693	123,754
TOTAL, Federal Crop Insurance Corporation	388,565	-2,932	385,633	601,122	215,489
COMMODITY CREDIT CORPORATION	4,233,000	0	4,233,000	6,100,000	1,867,000
FARMERS HOME ADMINISTRATION:					
Subsidies and Losses:					
Rural Housing	2,677,897	0	2,677,897	3,029,646	351,749
Agricultural Credit	4,120,159	0	4,120,159	6,047,583	1,927,424
Rural Development	1,474,499	0	1,474,499	1,666,160	191,661
Total, Subsidies and Losses	8,272,555	0	8,272,555	10,743,389	2,470,834

Agency or Item	1990 Presequester	Sequester Amount	1990 Adjusted Base	1991 Request	Change
FARMERS HOME ADMINISTRATION (Cont'd):					
Loan Levels:					
Housing Loans	1,932,490	-26,760	1,905,730	1,621,350	-284,380
Self-Help Housing Land Development Loans	500	0	500	0	-500
Agricultural Credit:					
Real Estate Loans	813,500	-6,241	807,259	188,500	-618,759
Operating Loans	3,282,500	-34,015	3,248,485	3,100,000	-148,485
Soil Conservation Loans	4,600	0	4,600	0	-4,600
Emergency Loans (Disaster)	600,000	0	600,000	25,000	-575,000
Interest Buy Down	50,000	0	50,000	50,000	0
Rural Development:					
Water and Waste Disposal Loans	430,190	-5,432	424,758	350,000	-74,758
Business and Industrial Loans	95,700	-682	95,018	0	-95,018
Disaster Assistance Acts, 1988, 1989	70,000	0	70,000	70,000	0
Community Facility Loans	119,700	-1,490	118,210	95,700	-22,510
Rural Development Loan Fund	19,500	-203	19,297	30,000	10,703
Total, Farmers Home Administration Loans	7,418,680	-74,823	7,343,857	5,530,550	-1,813,307
Grants for State Mediation Programs	3,500	-44	3,456	2,000	-1,456
Rural Rental Assistance Payments	212,468	0	212,468	253,496	41,028
Rural Development Loan Fund	17,500	-182	17,318	28,000	10,682
Rural Water and Waste Disposal Grants	209,395	-1,695	207,700	100,000	-107,700
Very Low-Income Housing Repair Grants	12,500	0	12,500	10,000	-2,500
Rural Housing for Domestic Farm Labor	11,000	-138	10,862	10,000	-862
Mutual and Self-Help Housing	8,750	-116	8,634	0	-8,634
Rural Community Fire Protection Grants	3,091	0	3,091	0	-3,091
Rural Housing Voucher Program	0	0	0	189,928	189,928
Compensation for Construction Defects	500	0	500	0	-500
Rural Housing Preservation Grants	19,140	0	19,140	15,000	-4,140
Rural Development Grant Program	16,500	-94	16,406	0	-16,406
Salaries and Expenses	423,534	0	423,534	447,787	24,253
TOTAL, Farmers Home Administration	9,210,433	-2,269	9,208,164	11,799,600	2,591,436
RURAL ELECTRIFICATION ADMINISTRATION:					
Appropriations:					
Reimbursement for Losses	244,100	-3,343	240,757	0	-240,757
Purchase of Rural Telephone Bank Stock	28,710	0	28,710	0	-28,710
Rural Communication Development Fund	1,329	0	1,329	1,264	-65
Rural Economic Development Subaccount	5,000	-8	4,992	0	-4,992
Salaries and Expenses	31,318	0	31,318	33,055	1,737
TOTAL, REA Appropriations	310,457	-3,351	307,106	34,319	-272,787
Loan Levels:					
Electrification Program:					
REA Direct Loans	622,050	0	622,050	200,000	-422,050
FFB Direct Loans	813,450	0	813,450	0	-813,450
Total, Electrification Program	1,435,500	0	1,435,500	200,000	-1,235,500
Telephone Program:					
REA Direct Loans	239,250	0	239,250	0	-239,250
FFB Direct Loans	119,625	0	119,625	0	-119,625
Total, Telephone Program	358,875	0	358,875	0	-358,875
Rural Telephone Bank	177,045	0	177,045	125,000	-52,045
TOTAL, REA Loans	1,971,420	0	1,971,420	325,000	-1,646,420
SOIL CONSERVATION SERVICE:					
Conservation Operations:					
Technical Assistance	399,768	-3,342	396,426	424,308	27,882
Soil Surveys	68,664	-589	68,075	69,812	1,737
Snow Survey and Water Forecasting	5,494	-47	5,447	5,563	116
Operation of Plant Materials Centers	7,234	-73	7,161	7,315	154
Total, Conservation Operations	481,160	-4,051	477,109	506,998	29,889
Watershed Planning	8,824	0	8,824	6,875	-1,949
Water and Flood Prevention Operations:					
Watershed Operations authorized by P.L. 534	26,271	-382	25,889	20,218	-5,671
Emergency Watershed Protection Operations	20,000	-145	19,855	10,041	-9,814
Small Watersheds Authorized by P.L. 566	137,102	-1,979	135,123	120,853	-14,270
Total, Water and Flood Prevention Operations	183,373	-2,506	180,867	151,112	-29,755

Agency or Item	1990 Presequester	Sequester Amount	1990 Adjusted Base	1991 Request	Change
SOIL CONSERVATION SERVICE (Cont'd):					
River Basin Surveys and Investigations	12,292	0	12,292	10,351	-1,941
Resource Conservation and Development	27,620	-365	27,255	24,862	-2,393
Great Plains Conservation Program	20,884	0	20,884	24,637	3,753
TOTAL, Soil Conservation Service	734,153	-6,922	727,231	724,835	-2,396
FOOD AND NUTRITION SERVICE:					
Food Stamp Program	14,770,346	-757	14,769,589	15,976,681	1,207,092
Nutrition Assistance for Puerto Rico	936,750	0	936,750	0	-936,750
Special Milk Program	20,449	-140	20,309	19,268	-1,041
Child Nutrition Programs:					
School Lunch Program	3,115,124	0	3,115,124	3,223,888	108,764
School Breakfast Program	563,926	0	563,926	606,036	42,110
Child Care Food Program	757,288	0	757,288	794,401	37,113
Summer Feeding Program	170,883	-11	170,872	179,716	8,844
State Administrative Expenses	60,651	-4	60,647	64,389	3,742
Commodity Procurement	207,837	0	207,837	223,666	15,829
Nutrition Studies and Surveys	3,185	-43	3,142	3,085	-57
Nutrition Education and Training	5,000	0	5,000	5,000	0
Federal Review System	3,600	0	3,600	5,653	2,053
Subtotal, Child Nutrition Programs	4,887,494	-58	4,887,436	5,105,834	218,398
Transfer from Section 32	-4,156,554	0	-4,156,554	-4,632,259	-475,705
Total, Child Nutrition Programs	730,940	-58	730,882	473,575	-257,307
Food Donations Programs for Selected Groups:					
Food Distribution on Indian Reservations	60,979	-839	60,140	74,841	14,701
Nutrition for the Elderly	145,531	-2,049	143,482	149,897	6,415
Commodities for Soup Kitchens	40,000	-560	39,440	32,000	-7,440
Commodity Supplemental Food Program (CSFP)	65,028	0	65,028	62,932	-2,096
Total, Food Donations for Selected Groups	311,538	-3,448	308,090	319,670	11,580
Special Supplemental Feeding Programs (WIC)	2,126,000	-42	2,125,958	2,215,248	89,290
Temporary Emergency Food Assistance Program	170,000	-605	169,395	170,000	605
Food Program Administration	93,026	-1,299	91,727	96,778	5,051
TOTAL, Food and Nutrition Service	19,159,049	-6,349	19,152,700	19,271,220	118,520
HUMAN NUTRITION INFORMATION SERVICE	9,145	-114	9,031	10,705	1,674
FOREIGN AGRICULTURAL SERVICE:					
Foreign Agricultural Affairs	32,283	-435	31,848	33,194	1,346
Foreign Market Information and Access	16,057	-217	15,840	16,065	225
Foreign Market Development	54,389	-734	53,655	54,289	634
The General Sales Manager	(7,415)	0	(7,415)	(8,090)	(675)
TOTAL, Foreign Agricultural Service	102,729	-1,386	101,343	103,548	2,205
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT:					
Salaries and Expenses	6,118	-77	6,041	4,893	-1,148
Scientific Activities Overseas	875	0	875	0	-875
TOTAL, Office of International Cooper. & Dev.	6,993	-77	6,916	4,893	-2,023
PUBLIC LAW 480:					
Financing Sales (Title I and III)	309,900	-4,278	305,622	251,853	-53,769
Commodities Donated (Title II)	682,100	-9,501	672,599	646,000	-26,599
TOTAL, Public Law 480	992,000	-13,779	978,221	897,853	-80,368
ECONOMIC RESEARCH SERVICE	51,202	-513	50,689	56,262	5,573
NATIONAL AGRICULTURAL STATISTICS SERVICE	67,801	-925	66,876	81,151	14,275
WORLD AGRICULTURAL OUTLOOK BOARD	1,936	-26	1,910	2,404	494
OFFICE OF THE SECRETARY	7,381	-87	7,294	7,786	492
DEPARTMENTAL ADMINISTRATION	22,022	0	22,022	23,355	1,333
HAZARDOUS WASTE MANAGEMENT	20,000	-73	19,927	29,586	9,659
RENTAL PAYMENTS AND BUILDING OPERATIONS	72,230	-203	72,027	74,398	2,371
ADVISORY COMMITTEES	1,494	0	1,494	1,407	-87
WORKING CAPITAL FUND	0	0	0	3,750	3,750
OFFICE OF PUBLIC AFFAIRS	8,493	0	8,493	8,882	389
OFFICE OF THE INSPECTOR GENERAL	[illegible],053	-274	51,779	57,630	5,851
OFFICE OF BUDGET AND PROGRAM ANALYSIS	4,554	-32	4,522	4,971	449
OFFICE OF THE GENERAL COUNSEL	21,828	-303	21,525	23,517	1,992
TOTAL, Direct Appropriations, Agriculture Bill	38,945,999	-69,313	38,876,686	44,295,155	5,418,469

UNITED STATES DEPARTMENT OF AGRICULTURE

POTENTIAL IMPACT OF PROPOSED LEGISLATION
(Dollars in Thousands)

Agency or Item	1991 Budget Estimate-- Current Law	1991 President's Budget	Increase or Decrease
IMPACT ON APPROPRIATIONS:			
Animal and Plant Health Inspection Service--user fees..	$367,950	$289,012	-$78,938
Federal Grain Inspection Service--user fees...........	10,443	4,746	-5,697
Agricultural Marketing Service:			
Marketing Services--user fees.......................	52,251	47,820	-4,431
Agricultural Stabilization and Conservation Service;:			
Water Bank Program--permanent conservation easements.	10,498	12,793	2,295
Federal Crop Insurance Corporation--terminate program			
Administrative and Operating Expenses...............	314,429	72,853	-241,576
Federal Crop Insurance Fund.........................	286,693	0	-286,693
Food and Nutrition Service:			
Food Stamp Program -- Tightening statutory language in Employment and Training Program (-$20.0 million), newly obtained child support ($-50.0 million)......	15,976,681	15,906,681	-70,000
Child Nutrition Program:			
Transfer from Section 32............................	(4,632,259)	(4,632,259)	0
Appropriation--Reduce subsidy for non-needy but increase subsidy for reduced price meals in the school lunch program; establish an income-based subsidy structure in family day care homes.......	473,575	11,311	-462,264
Other USDA Appropriations...........................	26,802,635	26,802,635	0
TOTAL, Impact on Appropriations..................	44,295,155	43,147,851	-1,147,304
OTHER IMPACTS:			
Cooperative State Research Service--Eliminate Morrill-Nelson, Permanent Appropriation.............	2,850	0	-2,850
Commodity Credit Corporation:			
Outlays...	11,870,021	10,370,021	-1,500,000
Rural Electrification Administration:			
Private Sector Loan Guarantees--Loan Level..........	0	1,300,000	1,300,000
Rural Telephone Bank, Authority to Borrow--Loan Origination fees.................................	42,666	40,145	-2,521

Mr. DEWHURST. Thank you, Mr. Chairman.

Mr. WHITTEN. Unless I have comments from over here? All right, go ahead.

FISCAL YEAR 1991 BUDGET PROPOSAL

Mr. DEWHURST. It is, as it always is, a great privilege for us to be here to take you through some of the numbers in the President's 1991 budget proposals for the Department of Agriculture.

I have with me Mr. Larry Wachs, on my right, and Mr. Bob Sherman, on my left, both of whom have appeared many times before this committee.

We have delivered to the committee the standard set of tables that we provide every year that shows all the information about appropriations being requested in the budget.

There's one point I need——

Mr. WHITTEN. Looking at this first page, I believe that your typewriter doesn't have a plus sign to it. Have you got a request for a new typewriter?

Mr. DEWHURST. I'm not sure the typewriter is the thing that can change the situation.

Mr. WHITTEN. I would approve it in advance if you did. For the record, one, two, three—I don't believe there's a plus sign in four pages.

Mr. SKEEN. Maybe that's a plus all together, Mr. Chairman.

Mr. WHITTEN. How's that?

Mr. SKEEN. Maybe that's an overall plus.

Mr. WHITTEN. No, that's the Secretary's office. That's a different thing.

CURRENT YEAR SEQUESTER

Mr. DEWHURST. Yes, sir, well, there are some pluses. There are a lot of minuses, too, and there is a situation in this current fiscal year, 1990, that my presentation would be less than complete if I did not tell you about.

We have a sequester in effect that was mandated last year in the law, and so many of our agencies have somewhat less money in 1990 than the committee actually provided for in the appropriations bill.

So in the material we've provided to the committee, we've tried to make absolutely sure that we've shown you both what you provided for in the appropriations bill and then what the impact was of the sequester so you can see where the numbers came out.

1991 BUDGET REQUEST

I think I should start by citing the totals this year. The 1991 appropriations request for the Department of Agriculture to this committee is $44.295 billion, and that is an increase of $5.418 billion over the level that we have in 1990.

RESEARCH

When you look at the agencies of the Department, and I will take you through the major agencies and talk about the decreases and the increases, the Agricultural Research Service, our in-house research arm, has a proposed budget in 1991 of $623.5 million, and that is an increase of $37.6 million over the 1990 level.

There are increases in the ARS budget in almost every major area of research; increases for the plant area, genome mapping, increases in water quality' animal germ plasm, food safety, and so forth.

There is a reduction in maintenance in the laboratories of the ARS. Some of that is because we have switched some money to construction where we need to do more work in Beltsville, and so the money gets classified as construction rather than maintenance.

BUILDINGS AND FACILITIES

There is $32.6 million in the ARS budget this year for construction of facilities, and there are four facilities involved in that proposal: Beltsville; Yakima, Washington; Athens, Georgia; and Fort Collins, Colorado. The justifications that you have from the ARS lay out those facilities.

COOPERATIVE STATE RESEARCH SERVICE

For the Cooperative State Research Service, the total budget is $346.9 million, and that is a reduction of $35.9 million below the 1990 level provided by the Congress.

There are some reductions in that budget. There's a reduction in Cooperative Forestry Research of $4.3 million, a reduction in Special Research Grants of $42.2 million, and reductions in a number of other programs.

There are also some increases. For the Hatch Act formula program, $3.5 million; the 1890 colleges, $1.2 million; and there is an increase for the Competitive Research Program.

The vernacular for that in the budget is National Research Initiative, which would move the Competitive Research Program to $100 million.

EXTENSION

In the Extension Service, the budget for 1991 is $345.7 million, and that is a reduction of just over $23.5 million from the 1990 level.

There are some reductions in that budget. The biggest reduction is $36.6 million in the Food and Nutrition Education Program. The Administration's budget suggests that state and local governments contribute to that program. There are also reductions in a number of other programs.

There is $10 million provided in the budget for a new Youth at Risk Program that's to operate in inner cities throughout the country and work with youth programs in the inner cities.

There are other new initiatives in water quality and so forth in the Extension budget, but overall it is a reduction from the 1990 level.

NATIONAL AGRICULTURAL LIBRARY

The National Agricultural Library has a budget proposal of $15.8 million. That is an increase of just over a million dollars from the

1990 level, largely to meet the increased cost of books and periodicals that the Library has to buy to maintain its collection.

ANIMAL AND PLANT HEALTH INSPECTION

The budget for the Animal and Plant Health Inspection Service in 1991 is $393.4 million, an increase of $32.4 million over the 1990 level.

There is an increase of $10.4 million in the Agricultural Quarantine Inspection Program for increased staffing to meet increased work load in that program.

There are also increases in the Brucellosis Program, in the Screwworm Program, and in Biotechnology and the Animal Damage Control Program.

There are also some reductions in that budget. There are reductions in the Boll Weevil Program, the Fire Ant Program and the Grasshopper Program, primarily.

There are $25.4 million in the Animal and Plant Health Inspection Service (APHIS) budget this year for construction of three facilities: Fort Collins, Colorado, at the Animal Damage Control Laboratory; the Plum Island Research Center, Plum Island, New York; and at Beltsville, Maryland, where APHIS also has a facility, as well as the Agricultural Research Service.

FOOD SAFETY AND INSPECTION

When you look at the Food Safety and Inspection Service, that's the agency that operates the meat and poultry inspection program, the budget for 1991 is $440.9 million. That is an increase of $24 million over the 1990 level. Essentially, that budget is built on some additional costs of inflation and the proposal to add additional slaughter inspectors, to the Food Safety and Inspection Service staff. Their staffing would be increased by a hundred staff years over the 1990 level.

FEDERAL GRAIN INSPECTION

The Federal Grain Inspection Service, an agency largely financed by user fees, is requesting $10.4 million, up about $2.3 million over the 1990 level. There are also some cost increases and some proposals for additional inspectors in that budget.

AGRICULTURAL COOPERATIVE SERVICE

The Agricultural Cooperative Service is requesting $4.8 million dollars; essentially the 1990 level with a small allowance for increased costs.

OFFICE OF TRANSPORTATION

The Office of Transportation is requesting $2.4 million, which contains a small allowance for increased costs.

PACKERS AND STOCKYARDS

The Packers and Stockyards Administration is requesting $10.7 million for 1991. An increase of $1.1 million to upgrade their ADP systems to perform the work they do with the packing houses.

AGRICULTURAL MARKETING

In the Agricultural Marketing Service (AMS), the budget request is $53.2 million in appropriations in 1991. That is an increase of $18.8 million over the 1990 level.

There are increases in practically all the AMS programs, but the biggest increase is to support what the Administration calls its Food Safety Initiative. AMS will play a major role in that initiative——

Mr. **Whitten**. I notice your use of the words "what the Administration called it." What are the facts?

Mr. **Dewhurst**. Well, this money is part of a new initiative in food safety that AMS will play a key role in by working with state departments of agriculture to monitor pesticide residues in our food supply. The idea being that the better information we have, the better off agriculture will be.

There are also increases in this budget for Wholesale Market Development, for the Market News Program, and for some of our inspection programs, particularly to strengthen the Egg Inspection Program in AMS.

CONSERVATION PROGRAMS

In the Agricultural Stabilization and Conservation Service (ASCS), there is a budget of $2.092 billion, an increase of $853.3 million above the 1990 level.

By far, the biggest increase is $867 million for the Conservation Reserve Program. The law requires that program to have 40 million acres signed up by 1991.

Mr. **Whitten**. Conservation Reserve, is that land out of agricultural development?

Mr. **Dewhurst**. Yes, sir. We pay rent——

Mr. **Whitten**. That land is agricultural land, or you wouldn't be paying for it; therefore, it should be counted in connection with agricultural lands. You might give us the details of this for the record.

Mr. **Dewhurst**. Yes, sir. I'd be glad to.

Mr. **Whitten**. The number of contracts per state and the amount of land involved.

Mr. **Dewhurst**. Yes, sir. We have all that.

[The information follows:]

CONSERVATION RESERVE PROGRAM—ACTIVE CONTRACTS AND ACRES ENROLLED AS OF SEPT. 30, 1989

State	Contracts	Acres
Alabama	9,043	519,529
Alaska	42	25,375
Arizona	0	0
Arkansas	2,937	225,353
California	493	183,054
Colorado	6,083	1,953,042
Connecticut	1	10
Delaware	29	985
Florida	2,228	123,013
Georgia	13,794	663,156

CONSERVATION RESERVE PROGRAM—ACTIVE CONTRACTS AND ACRES ENROLLED AS OF SEPT. 30, 1989—Continued

State	Contracts	Acres
Hawaii	1	85
Idaho	3,437	791,061
Illinois	14,910	633,580
Indiana	9,122	364,729
Iowa	30,666	1,970,159
Kansas	29,827	2,861,785
Kentucky	7,397	416,799
Louisiana	1,571	132,907
Maine	911	37,222
Maryland	550	16,058
Massachusetts	5	32
Michigan	4,930	196,304
Minnesota	25,400	1,830,672
Mississippi	11,830	726,897
Missouri	19,557	1,504,412
Montana	7,503	2,720,134
Nebraska	13,323	1,348,929
Nevada	10	3,124
New Hampshire	0	0
New Jersey	28	661
New Mexico	1,511	480,765
New York	1,500	54,605
North Carolina	5,891	137,040
North Dakota	18,172	3,137,199
Ohio	5,870	254,129
Oklahoma	8,332	1,155,449
Oregon	1,943	517,150
Pennsylvania	2,417	92,464
Puerto Rico	7	440
Rhode Island	0	0
South Carolina	6,354	265,514
South Dakota	12,116	2,084,557
Tennessee	9,809	429,352
Texas	18,268	3,921,377
Utah	982	232,320
Vermont	9	187
Virginia	2,914	73,938
Washington	3,996	975,320
West Virginia	34	610
Wisconsin	16,849	604,060
Wyoming	793	257,022
U.S. total	333,395	33,922,565

Conservation reserve program as of Sept. 30, 1989

Acres out of production (millions)	34
Average 1989 cost-share payment per acre	$34
Average 1989 rental payment per acre	$50

Mr. DEWHURST. There's $176 million in this budget for the Agricultural Conservation Program. As you can see, $12.4 million for the Forestry Incentives Program, $10.5 million for the Water Bank Program, and $14.8 million for the Colorado River Basin Salinity Control Program. So there's money in the budget for most of the ASCS programs.

CROP INSURANCE

The Federal Crop Insurance Corporation has a budget request before this committee of $601.1 million, an increase of $215.5 million over the 1990 level.

Now, I must hasten to add, lest I create confusion, that the Administration has proposed that the current Federal Crop Insurance Program not be continued. This is a current law budget before this committee, and if the Congress were to agree and cancel the program, then this request, of course, would not need to be met. The 1991 current law request, however, assumes a continued growth and participation in that program and a continued loss ratio of about 1.5.

COMMODITY CREDIT CORPORATION

The 1991 budget request for the Commodity Credit Corporation is $6.1 billion.

Mr. WHITTEN. Does that fully restore the Corporation's capital stock?

Mr. DEWHURST. No, sir. It restores their losses through part of 1990, but not all of their losses to date.

Mr. WHITTEN. Part of their losses. Is that what we pay exporters? Does that include what we pay exporters?

Mr. DEWHURST. Yes, sir. It includes the cost of those programs. That's true.

Mr. WHITTEN. Have you submitted to the staff the names and the amount of money they have?

Mr. DEWHURST. We have promised that by close of business today.

Mr. WHITTEN. What time do you expect your business will close today?

Mr. DEWHURST. Business will close when I have that information for you, Mr. Chairman.

Mr. WHITTEN. You have got another item charged up to the farmers, and that is where you pay these corporations to promote their product overseas. How much money is involved in that?

Mr. DEWHURST. About $200 million a year in that program.

Mr. WHITTEN. What part of the agricultural farmers do you charge that to?

Mr. DEWHURST. That is charged to the Commodity Credit Corporation, Mr. Chairman.

Mr. WHITTEN. I was on the conference committee, and many of my colleagues were, when we had Gramm-Rudman to act on. I led the fight, along with Mr. Smith, to exempt the Commodity Credit Corporation so it could discharge its function of price supports and exports.

It's been misused. The way it is now, it's an open sesame for most everything that comes along, and that, too, is charged to the American farmer.

I might interrupt you to ask, the total amount that you have, how much is that below the request for the Department of Agriculture of the budget?

Mr. DEWHURST. Our appropriations request is about $1.2 billion below what we asked for.

Mr. WHITTEN. A billion and a half?

Mr. DEWHURST. Yes, sir. I have tables on that that I can——

Mr. WHITTEN. You might, in the record, put the major amounts that were cut out. I'll leave it up you to say what the major accounts are.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE—APPROPRIATIONS AND LOAN LEVELS, 1990 AND 1991, UNDER CURRENT LAW

[In thousands of dollars]

Agency or item	1990 adjusted base	1991 Department request	1991 OMB mark	Difference OMB mark—1991 request
Agricultural Research Service	585,923	643,172	623,510	−19,662
Cooperative State Research Service	337,668	418,394	346,893	−71,501
Extension Service	369,180	383,902	345,676	−38,226
Buildings and facilities, ARS and CSRS	55,783	53,600	32,600	−21,000
Animal and Plant Health Inspection Service	360.974	398,123	393,346	−4,777
Food Safety and Inspection Service	416,898	452,906	440,882	−12,024
Agricultural Stabilization and Conservation Service	1,238,416	2,360,449	2,091,765	−268,684
CCC reimbursement for losses	4,233,000	6,100,000	6,100,000	0
Farmers Home Administration:				
Farm loans	4,606,980	3,438,800	3,313,500	−125,300
Housing loans	1,906,230	1,748,910	1,621,350	−127,560
Community development loan	727,283	625,400	545,700	−79,700
Total, FmHA loans	7,240,493	5,813,100	5,480,550	−332,560
Appropriations	9,208,164	11,923,605	11,799,600	−124,005
Rural Electrification Administration:				
Electric loans	1,435,500	200,000	200,000	0
Telephone loans	535,920	415,000	125,000	−290,000
Total, REA loans	1,971,420	615,000	325,000	−290,000
Appropriations	307,106	34,319	34,319	0
Federal Crop Insurance Corporation	385,633	674,427	601,122	−73,305
Soil Conservation Service	727,231	738,593	724,835	−13,758
Food and Nutrition Service	19,152,700	19,655,617	19,271,220	−384,397
Public Law 480	978,221	1,104,000	897,853	−206,147
All other	519,789	601,312	591,534	−9,778
Total, direct appropriations, USDA, agriculture bill	38,876,686	45,542,419	44,295,155	−1,247,264

Mr. WHITTEN. You might proceed.

FARMERS HOME ADMINISTRATION

Mr. DEWHURST. Yes, sir. For the Farmers Home Administration, we have a 1991 request for appropriations to reimburse the Farmers Home Administration for the cost of its subsidies and losses in its three major revolving funds that operate its loan programs. That total subsidies and losses request is $10.7 billion, an increase of $2.5 billion over the 1990 level. That need for funding comes about largely because many of our loans are made at——

Mr. WHITTEN. Pull the speaker over closer to you. I'm hard of hearing when you're asking for money.

Mr. DEWHURST. I'm sorry. I'm afraid I get quieter the bigger the number is. The request in Farmers Home is largely because we make most of our loans at interest rates that are below the market level, and so we have a loss in those funds which is compensated by appropriations.

When you look at the loan levels that this Administration has requested in 1991 for the Farmers Home Loan Programs, you find a loan level of about $5.5 billion. That is a reduction of about $1.8 billion below the levels authorized by the Congress in 1990.

In this budget, there are a couple of things proposed that the committee has not seen before. One is a proposal for the Government to buy down interest rates on some guaranteed loans so that folks can get guaranteed loans and yet pay a reduced rate of interest. That's something you'll see in this budget for the first time that has not been there in the past few years.

You'll also see that in many cases direct lending is reduced in favor of guarantees. You'll see——

Mr. WHITTEN. Let me interrupt you a second.

Mr. DEWHURST. Yes, sir.

Mr. WHITTEN. I realize that all these will be supported by the particular section of the Department, but your statement just then that you make about presentation here, what do you mean by that?

Mr. DEWHURST. I'm just saying that this is the first time in my memory that an Administration has requested money to buy down the interest rates on guaranteed loans that it intends to make.

Mr. WHITTEN. We've dealt with that for a long time. All of us on this subcommittee have served in Congress for a number of years, so we've seen a whole lot of different things, and we've tried to wrestle with them.

The thing about guaranteed loans is that many banks will not participate in them. We need the loans in rural areas, and what you have there is probably all right for big cities.

But this guaranteed loan doesn't help you if you're out in an area and the local bank there, having read where you're letting agriculture go down the drain, they don't want the farm loans even if they are guaranteed by the government.

If you can't get a bank to guarantee it, how are you going to carry on the program? That's about half the country, if I speak from memory.

Those farmers are just like the others? They will just have to go out of business? Is that true?

Mr. DEWHURST. No, I——

Mr. WHITTEN. Well, if you can't find somebody that will let you have the money on a Government guarantee, what are you going to do?

Mr. DEWHURST. Well, I really don't know.

Mr. WHITTEN. I realize you don't run this. You just keep the figures. But what would be your suggestion to do? Move to town like others?

Mr. DEWHURST. No, that's not my suggestion.

Mr. WHITTEN. What is your suggestion?

Mr. DEWHURST. I must tell you that the Secretary of Agriculture shares that concern, and one of the things that he has put in this budget is a proposal which he hopes will encourage banks to help farmers and folks who need rural housing loans, and to do that by helping on the interest rate on some of those loans.

As a matter of fact, I look at the numbers, and it's very clear that the guaranteed program has not operated——

Mr. **Whitten**. Of course, as long as you call it guaranteed, you can reduce the amount of money apparently. But there's "apparently," and there's "fact."

One of the major things that I find that's caused our situation is the history of the Department in turning down Farmers Home loans and foreclosing, all of which is a matter of record.

It has its effect on the FDIC, which regulate bank loans. It's got the banks where they're afraid of farm loans. When you say you'll go for a guaranteed loan, you've got to find somebody to let you have the money and accept the Government's guarantee.

I think we need to investigate this before we act on it; otherwise, you're just going to leave about half of the farmers out. You might proceed.

RURAL ELECTRIFICATION

Mr. **Dewhurst**. Thank you, sir. The budget for the Rural Electrification Administration (REA) is a reduced budget. It is not dissimilar from budgets you've seen in the past in the sense that it proposes to replace most of REA's direct lending with guarantees of private sector credit.

It is a bit different from previous budgets because there is some money in here for direct lending, and that has not been the case in the last few years.

CONSERVATION

The 1991 request for the Soil Conservation Service is $724.8 million, a reduction of about $2.4 million below the 1990 level.

When you look at the SCS budget, you will find that there is an increase of about $30 million in their Conservation Operations programs to provide technical assistance to farmers to meet the requirements of the Food Security Act. There is a reduction in the watershed programs of about $30 million. There's $151.1 million proposed in this budget for watershed and flood prevention operations.

There is an increase in the budget of $3.7 million for the Great Plains Conservation Program. That increase would allow about 14 percent more contracts to be entered in 1991 and greatly upgrade that program in the Great Plains part of the country.

There are reductions proposed. There is a $2.4 million reduction in the Resource Conservation and Development Program and $1.9 million in the River Basin Surveys Program.

FOOD ASSISTANCE

In the Food and Nutrition Service, the budget request this year is $19.271 billion, and that is an increase of $118.52 million over the 1990 level.

The Food Stamp Program, I need to point out to you, is likely going to be short of money in this current fiscal year. The current analysis indicates it will be somewhere between three and five hundred million dollars short. The Secretary, I believe, signed a letter on Friday to all the interested committees on the Hill telling them that fact. In 1991, the request is for $15.9 billion. That anticipates participation of about 19.2 million people in the program, down slightly from the current 19.4 million people.

I should point out to you that the $15.9 billion figure is, in fact, $500 million greater than our estimating models would say is necessary for the program. The Administration has built, in effect, a contingency into this request to try to assure there's enough money for this program, even if the estimates turn out to be incorrect.

You will notice also on the table, the Nutrition Assistance Program for Puerto Rico, which is funded in 1990 at $936.7 million, shows no funding in the 1991 column for that program. The authorization for that program expires at the end of 1990, and the Administration has proposed it be reauthorized in the Department of Health and Human Services, rather than in the Department of Agriculture. For that reason, we're not carrying money for that program in our table.

For the Child Nutrition Programs, the total budget for those programs is $5.106 billion, an increase of $218 million over the 1990 level. Those increases are largely due to increased costs in those programs. For instance, the Federal subsidy for a free lunch in the school lunch program will go from $1.66 to $1.73 in 1991, and so all these programs increase as those numbers go up.

Also, we have a series of what we call Food Donations Programs for Selected Groups. There is a program on Indian Reservations, a special program for the Elderly, there's a program for Soup Kitchens and the Commodity Supplemental Feeding Program (CSFP). These programs are all projected to increase in 1991, largely because costs and participation are increasing. You will notice that the appropriations request for the CSFP is down in 1991. This is because we expect to have CCC commodities available to donate to CSFP not because the program is being reduced.

The Women, Infants and Children Program request is $2.2 billion, an increase of $89 million over the 1990 level. Participation in that program is estimated at about 4.7 million individuals, and the funding is enough to protect that participation level given the anticipated level of services in that program.

FOREIGN AGRICULTURE

In the Foreign Agricultural Service (FAS), the budget is $103.5 million, an increase of $2.2 million over the 1990 level. There are no new programs proposed in the FAS. The increase in funding is simply for pay costs and various overseas increased costs that they have to pay.

For the Office of International Cooperation and Development, the budget is $4.9 million, a decrease of $2 million below the 1990 level.

There's no funding in this budget for the Special Foreign Currency Research Program or for the Middle Income Training Program, both of which have been provided by the Congress in past years.

The budget for the Public Law 480 Program appropriations request is $897.8 million. That is a reduction of $80 million below the

1990 level. However, tonnage levels in that program are expected to increase from 5.9 million metric tons to 6.4 million metric tons. It's just a function of which commodities are going into the program and what the prices may be for those commodities.

Finally, at the very end of page four, you'll see the listing of various other small organizations of the Department.

ECONOMICS AGENCIES

There are increases in the Economic Research Service and the National Agricultural Statistical Service, largely because those agencies have a very heavy role to play in the Food Safety and Water Quality initiatives, both of which areas are increased in the Department's budget proposals.

There are increases for the World Agricultural Outlook Board to improve the Department's weather forecasting capability. The Department operates an agricultural weather facility jointly with the Weather Service. That facility has been used with respect to the drought in the past several years, and they're trying to upgrade the capabilities of that organization.

ADMINISTRATION

The Secretary's office and Departmental Administration reflect budget increases largely for increased pay costs.

We have an increase of $9.6 million in Hazardous Waste Management. This is a central fund the Department maintains to meet its responsibilities under the Superfund legislation which requires the Government to clean up the environmental problems it creates, just as private industry is required to do.

We have an appropriation request for Rental Payments and Building Operations of $74.4 million. That's an increase of $2.4 million over the 1990 level. That money is largely for maintenance of the Washington complex the Department occupies downtown.

There is additional funding, for Advisory Committees, and the Office of Public Affairs. The Office of the Inspector General budget is $57.6 million. An increase of $5.8 million over the 1990 level. This increase is to upgrade ADP systems and add staff to monitor the Department's programs.

There's a $5 million budget for the Office of Budget and Program Analysis and a $23.5 million budget for the Office of the General Counsel (OGC). The OGC is increased by almost $2 million over the 1990 level, largely to upgrade their automated support and to hire additional attorneys.

So, in total, the 1991 request for the Department of Agriculture is $44.295 billion.

LEGISLATIVE PROPOSALS

The Administration is submitting some proposed legislation to the Congress which, if enacted, would reduce the appropriations request. This is shown on the last page of this presentation. Obviously, we would not change the budget before this committee unless that legislation were to pass, but there is legislation being considered by other congressional committees regarding the feeding programs and user fees.

That summarizes the table, and concludes my presentation, Mr. Chairman.

Mr. **Whitten**. Thank you, Mr. Dewhurst, and may I say again we appreciate your cooperation in dealing with this Committee.

We all have our problems, but getting together on the facts makes it easier to deal with them. We appreciate your appearance here and, of course, in connection with each of these items, we'll have presentations each time we go into the amounts.

ADP REQUEST

Let me turn now to some specific questions. You have requested an increase of $132,000 for ADP equipment and related services. You have indicated that your automated capability is becoming outdated and there is significant need to advance in the state-of-art hardware. What is the total cost of replacing and upgrading existing hardware and software for the Office of Budget and Program Analysis? Please provide a table showing the out-year estimates to completion.

Mr. **Dewhurst**. The OBPA budget request for FY 1991 includes an increase of $132,000 for replacement of ADP equipment, software and communication systems. Over the nominal five year term of the upgrade process the total cost of the replacement system is estimated to be $975,000. Present equipment is over eight years old and has reached the end of it's practical use while technology has significantly outpaced our present super-micro central processor. The manufacturer's support of the hardware from a parts and maintenance standpoint is being phased out and will soon be discontinued entirely. Also, new software is no longer being ported to the machine. Continuity of operations requires the acquisition of contemporary equipment that will provide the operability, reliability, and functionality that the office needs to carry out it's mission. Replacement of the central processors will cost about $250,000 and will provide both improved technology and greater reliability through reserve capacity.

Transmission of digitized information is a rapidly growing communication technique and connectivity through digital networks is gaining wide acceptance in Government. Indeed, OBPA finds ever increasing need for such capabilities to communicate with agencies in the Department, and government-wide with organizations external to the Department such as OMB and the Congress. It is estimated that this new connectivity will cost about $100,000.

Most of the systems peripherals (end user terminals and printers) are also eight years old and need replacement, particularly when maintenance costs can exceed replacement. It is anticipated that all the existing printers and terminals will be replaced over a three or four year period, starting with the oldest units. This cost will be about $350,000 for terminals and about $75,000 for printers.

Some investment in new software will be needed to take full advantage of the capabilities of the new hardware, and to keep pace with advances in office automation and data base management systems. These costs will approximate $100,000 over a four to five year period.

Lastly, $100,000 has been added to cover the costs of installation and cabling over the term of the upgrade.

The above costs are for acquisition and installation only and do not include operations, maintenance, training, and supplies. I will provide a table for the record showing how they distribute over time.

[The information follows:]

[In thousands of dollars]

	1991	1992	1993	1994	1995
1991 increase	132	132	132	132	132
Other funds [1]	120	90	60	45	
Total	252	222	192	177	132

[1] These funds will be drawn from the total funds available to the office and/or future increment requests, if needed.

DISASTER ASSISTANCE

Mr. WHITTEN. In fiscal year 1989 OBPA coordinated analytical efforts related to passage of the Disaster Assistance Act of 1989. The estimated cost of the enacted bill was approximately $890 million. Please give us an update on the estimated final cost of that bill.

Mr. DEWHURST. As of January 31, 1990, crop disaster payments under the Disaster Assistance Act of 1989 have totalled $897 million. Some 225 thousand producers have received disaster payments so far. Enrollment in the disaster payment program for 1989 crops will close on April 2, 1990. In addition to the crop damage known to us at the time the bill was enacted, subsequent crop losses from hurricane, earthquake and freeze have added to potential claims. We now believe that disaster payments for 1989-crop losses will be somewhat higher than $900 million. However, the estimate will not be revised until more information on freeze damage claims is received.

PREPARATION OF USDA BUDGET SUMMARY

Mr. WHITTEN. As part of the annual budget request for the Administration, your office prints over 1800 copies of the Budget Summary document. For the past five years what has this particular document cost in terms of preparation and printing annually?

Mr. DEWHURST. The preparation of the Budget Summary document is a part of our overall work on the budget. It is not possible to sort out exactly the amount of staff time that is specifically spent on the preparation of this document. However, I can provide a table that reflects the printing costs of this document for the past five years.

[The information follows:]

	Number of copies	Cost
Fiscal year:		
1985	1,200	$1,743
1986	1,800	[1] 7,000

	Number of copies	Cost
1987	1,800	4,757
1988	1,800	4,995
1989	1,800	5,245

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[1] This amount represents two printings of the budget summary. Starting in fiscal year 1986 the printing of this document was done by the Government Printing Office. Prior to this the document was printed by USDA.

USER FEES

Mr. WHITTEN. Please provide for the record a table showing the user fees presently being assessed by agencies, including loan origination fees, for fiscal years 1989, 1990, and an estimate for fiscal year 1991. Please identify any new user fees that are proposed and indicate those that will require enactment of legislation.

UNITED STATES DEPARTMENT OF AGRICULTURE

USER FEES
FISCAL YEAR 1989 ACTUAL, AND ESTIMATED 1990 AND 1991

Existing User Fees and Loan Origination Fees:	1989 Actual	1990 Estimate	1991 Estimate
Agricultural Marketing Service:			
Trust Funds:			
Commodity Grading and Certification Payments)			
Market News)	$85,414,065	$87,689,000	$87,689,000
Marketing Services Reimbursements:			
User Fees:			
Cotton Grading)			
Tobacco Grading)	34,775,868	37,962,000	40,162,000
Egg Products Inspection Overtime	599,644	597,000	597,000
Perishable Agriultural Commodities Act	5,517,546	5,675,000	5,675,000
Total, AMS	126,307,123	131,923,000	134,123,000
Animal and Plant Health Inspection Service:			
Miscellaneous Contributed Funds	2,727,698	2,280,000	2,280,000
Fees for Care, Feed and attendants at animal quarantine stations	1,807,325	1,631,000	1,631,000
Commercial bird import quarantine	841,348	819,000	819,000
Pet birds/smuggled birds quarantine	272,954	270,000	270,000
Animal Welfare licensing fees a/	(210,348)	(631,000)	(637,000
Harry S Truman Animal Import Center	434,838	500,000	575,000
Reimbursable Overtime	21,984,000	22,612,000	22,612,000
Total, APHIS	28,068,163	28,112,000	28,187,000
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses:			
Warehouse Inspection:			
Federal	2,721,000	2,731,000	2,841,000
Non-Federal	3,326,000	3,659,000	3,808,000
Total, Warehouse Inspection	6,047,000	6,390,000	6,649,000
Commodity Credit Corporation:			
Export Guarantee Fees	41,987,000	42,410,000	42,410,000
Agricultural Cooperative Service:			
Publication Fees	15,017	25,000	25,000
Farmers Home Administration:			
Guaranteed Loans (1% of loans made)	9,780,000	30,874,000	27,371,000

a/ Miscellaneous receipts to treasury. Agency does not retain fee.

	1989 Actual	1990 Estimate	1991 Estimate
Foreign Agricultural Service:			
Information Circulars	169,000	170,000	170,000
Attache Reports	74,000	75,000	75,000
Trade Lead Services	41,000	48,000	48,000
Computer Time and Files	2,600	2,600	2,600
Total, FAS	286,600	295,600	295,600
Federal Grain Inspection Service:			
Inspection and Weighing Activities	35,626,000	36,856,000	37,164,000
Food Safety and Inspection Service:			
Reimbursements	50,355,000	52,000,000	54,000,000
Trust Funds	1,116,000	1,150,000	1,200,000
Total, FSIS	51,471,000	53,150,000	55,200,000
Forest Service	38,042,000	38,700,000	44,700,000
National Agriultural Library:			
AGRICOLA Tapes	38,000	40,000	40,000
AGRICOLA Training	1,000	1,000	1,000
Sale of photocopies	23,000	23,000	25,000
	62,000	64,000	66,000
National Agricultural Statistics Service:			
Statistics and economic reports	98,874	100,000	100,000
Subtotal	337,790,777	368,899,600	376,290,600

	1989 Actual	1990 Estimate	1991 Estimate
New User and Loan Origination Fees Being Proposed for FY 1990:			
Agricultural Marketing Service:			
Marketing Services:			
Market News	--	--	30,000
Standardization	--	--	3,895,000
Market Protection and Promotion	--	--	826,000
Section 32:			
Marketing agreements and Orders	--	--	8,526,000
Total, AMS	--	--	13,277,000
Federal Grain Inspection Service.............	--	--	5,697,000
Animal and Plant Health Inspection Service:			
Animal Quarantine Inspection	--	--	74,969,000
Veterinary Diagnostics	--	--	1,768,000
Import-Export	--	--	2,201,000
Total, APHIS	--	--	78,938,000
Rural Electrification Administration:			
Loan Origination Fees	--	--	13,000
Forest Service:			
Additional Recreation Fees	--	--	10,044,000
Subtotal	--	--	107,969,000
Total USDA	337,790,777	368,899,600	484,259,600

ASSET SALES

Mr. WHITTEN. Please provide for the record a table showing the asset sales assumed in the budget for fiscal year 1991 and those planned or completed for fiscal years 1989 and 1990.

[The information follows:]

Mr. DEWHURST. I will be glad to provide a table showing asset sales in fiscal years 1989 through 1991.

[The information follows:]

FmHA BORROWER BUYBACK PROGRAM AND REA PREPAYMENTS IN THE 1991 BUDGET

[In millions of dollars]

	1989	1990	1991
Farmers Home Administration:			
Rural Development Insurance Fund:			
Face value	1,663	0	0
Net income	1,082	0	0
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund:			
Face value	0	500	0
Net income	0	500	0
Total:			
Face value	1,663	500	0
Net income	1,082	500	0

PAY COSTS

Mr. WHITTEN. For the first time, the budget includes anticipated pay increases. Under guidance from OMB you have been required to absorb 50 percent of the cost in fiscal year 1991. Please provide for the record a table which indicates the amounts included in the budget for the increase, by agency, separately identifying the amount for the across-the-board increase, and the amount that results from the lifting of the cap.

Mr. DEWHURST. I will be happy to supply the information for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

1991 PAY COSTS
(Dollars in Thousands)

	General Schedule	SES Executive	Total	Absorbed	Budget Request
AGRICULTURAL RESEARCH SERVICE:					
Agricultural Research Service	$10,356	$540	$10,896	$5,448	$5,448
COOPERATIVE STATE RESEARCH SERVICE	198	80	278	139	139
EXTENSION SERVICE	244	150	394	197	197
NATIONAL AGRICULTURAL LIBRARY	200	16	216	108	108
AGRI. STABILIZATION & CONSERVATION SERVICE:					
Salaries and Expenses (transfer from CCC)	13,243	47	13,290	6,645	6,645
FOREIGN AGRICULTURAL SERVICE:					
Foreign Agricultural Service	957	189	1,146	573	573
Office of the General Sales Manager	193	7	200	100	100
OFFICE OF INTERNATIONAL COOPERATION & DEVEL.:					
Office of International Cooper. and Dev. ..	88	36	124	62	62
SOIL CONSERVATION SERVICE:					
Conservation Operations	16,436	260	16,696	8,348	8,348
River Basin Surveys & Investigations	336	6	342	171	171
Watershed Planning	222	4	226	113	113
Watershed & Flood Prevention Operations ...	2,186	38	2,224	1,112	1,112
Great Plains Conservation Program	296	4	300	150	150
Resource Conservation & Development	738	12	750	375	375
Total, SCS	20,214	324	20,538	10,269	10,269
FARMERS HOME ADMINISTRATION:					
Agricultural Credit Insurance Fund	10,500	400	10,900	5,450	5,450
Salaries & Expenses	0	0	0	0	0
Total, FmHA	10,500	400	10,900	5,450	5,450
RURAL ELECTRIFICATION ADMINISTRATION:					
Salaries & Expenses	662	94	756	378	378
FEDERAL CROP INSURANCE CORPORATION:					
Administrative & Operating Expenses	2,092	28	2,120	1,060	1,060
FOOD AND NUTRITION SERVICE:					
Food Program Administration	2,013	219	2,232	1,116	1,116
Child Nutrition Programs	106	0	106	53	53
Total, FNS	2,119	219	2,338	1,169	1,169
HUMAN NUTRITION INFORMATION SERVICE	114	0	114	57	57
FEDERAL GRAIN INSPECTION SERVICE:					
Salaries and Expenses	116	50	166	83	83
Inspection and Weighing	320	0	320	160	160
Total, FGIS	436	50	486	243	243
ANIMAL & PLANT HEALTH INSPECTION SERVICE:					
Animal & Plant Health Inspection Service ..	5,234	138	5,372	2,686	2,686
FOOD SAFETY & INSPECTION SERVICE:					
Food Safety & Inspection Service	9,162	320	9,482	4,741	4,741
AGRICULTURAL MARKETING SERVICE:					
Marketing Services	654	84	738	369	369
Sec.32 Admin.	240	0	240	120	120
User Fees	1,246	0	1,246	623	623
Total, AMS	2,140	84	2,224	1,112	1,112

	General Schedule	SES Executive	Total	Absorbed	Budget Request
AGRICULTURAL COOPERATIVE SERVICE	86	14	100	50	50
OFFICE OF TRANSPORTATION	48	16	64	32	32
ECONOMIC RESEARCH SERVICE	1,000	96	1,096	548	548
NATIONAL AGRICULTURAL STATISTICS SERVICE	1,340	96	1,436	718	718
WORLD AGRICULTURAL OUTLOOK BOARD	44	24	68	34	34
OFFICE OF THE SECRETARY	154	528	682	77	605
DEPARTMENTAL ADMINISTRATION	558	85	643	279	364
BUDGET AND PROGRAM ANALYSIS	126	86	212	63	149
BUILDING OPERATIONS	78	0	78	39	39
OFFICE OF PUBLIC AFFAIRS	162	88	250	125	125
OFFICE OF THE INSPECTOR GENERAL	1,046	376	1,422	711	711
OFFICE OF THE GENERAL COUNSEL	500	304	804	402	402
Total, Excluding FOREST SERVICE	72,938	3,895	76,833	38,067	38,766
FOREST SERVICE:					
Forest Research	2,868	132	3,000	1,500	1,500
State & Private Forestry	722	66	788	394	394
National Forest System	19,970	572	20,542	10,271	10,271
Construction	2,784	14	2,798	1,399	1,399
Land Acquisition	106	0	106	53	53
Special Accounts	234	0	234	117	117
Permanent Funds	2,068	0	2,068	1,034	1,034
Federal Wildland Firefighting	3,316	14	3,330	1,665	1,665
Total, Forest Service	32,068	798	32,866	16,433	16,433
TOTAL, USDA	105,006	4,693	109,699	54,500	55,199
Agriculture Appropriations:					
New Appropriations	47,196	3,441	50,637	24,969	25,668
Other funds	25,742	454	26,196	13,098	13,098
Subtotal, Agriculture Appropriations	72,938	3,895	76,833	38,067	38,766
Forest Service Appropriations	32,068	798	32,866	16,433	16,433
Total, USDA	105,006	4,693	109,699	54,500	55,199

WATER QUALITY

Mr. WHITTEN. Please provide for the record a table showing the amount of funds devoted to water quality in fiscal years 1989, 1990 and 1991, indicating both the agency and the program.

Mr. DEWHURST. I will be glad to supply that information for the record.

[The information follows:]

WATER QUALITY PROGRAMS—PROGRAM LEVEL

[In millions of dollars]

Program	1989 actual	1990 current estimate	1991 budget
Research:			
Agricultural Research Service	30.0	37.5	44.9
Cooperative State Research Service	19.5	24.8	30.3
Economic Research Service	0.8	1.1	1.7
Forest Service	0.1	0.1	0.1
Subtotal	50.4	63.5	77.0
Data collection and analysis:			
Economic Research Service	0.0	1.5	3.0
Extension Service	0.0	0.5	0.5
Subtotal	0.0	2.0	3.5
Technology transfer:			
Extension Service	16.3	19.5	29.8
National Agricultural Library	0.0	0.3	0.3
Soil Conservation Service	13.7	26.5	44.1
Subtotal	30.0	46.3	74.2
Financial assistance: Agricultural Stabilization and Conservation Service	18.8	32.8	40.2
Operational programs: Animal and Plant Health Inspection Service	10.4	10.4	12.3
Total, water quality	109.6	155.0	207.2

FOOD STAMP SUPPLEMENTAL FUNDS

Mr. WHITTEN. The Department is proposing bill language that would allow FNS to draw "such sums as necessary" from the Treasury to pay for food stamps during the remainder of 1990. What is the current estimate as to the amount that would be required for food stamps?

Mr. DEWHURST. Our current estimate of 1990 food stamp participation, based on preliminary reports of fiscal year 1990, is 19.4 million. The 1990 appropriations will support an average participation of 19 million. Due to the increase in participation the amount required to meet State food stamp needs through the end of the fiscal year could range from $375 to $510 million more than the $14,770.3 million available to the Food Stamp Program. More precise estimates will be available later this year as States continue to report monthly participation and costs. We will continue to monitor those reports closely.

CCC BUDGET ESTIMATES VS. ACTUAL NET EXPENDITURES

Mr. **Whitten**. Please provide for the record a table showing the Administration's budget estimates for CCC net expenditures and the actual net expenditures for fiscal years 1981 through 1990.

Mr. **Dewhurst**. We will provide a table comparing the initial and second CCC budget estimates to actual CCC net expenditures for fiscal years 1981 through 1990.

[The information follows:]

CAMPARISON OF CCC ESTIMATED AND ACTUAL NET EXPENDITURES: FIRST BUDGET ESTIMATE—SECOND BUDGET ESTIMATE AND ACTUAL—FISCAL YEARS 1981-90

[In thousands of dollars]

Fiscal year	First estimate	Second estimate	Actual
1981	1,736,957	−42,899	4,036,307
1982	2,198,250	6,343,239	11,652,137
1983	1,850,000	18,254,542	18,850,899
1984	9,255,519	6,691,777	7,315,488
1985	10,781,896	15,031,085	17,683,196
1986	10,522,393	[1] 20,762,392	25,841,203
1987	[1] 16,595,231	25,262,437	22,407,870
1988	20,963,493	17,657,320	12,460,860
1989	17,132,979	13,843,012	10,523,140
1990	11,578,670	8,173,572	

[1] Excludes reductions of $413,873,000 in fiscal year 1986 and $409,253,000 in fiscal year 1987 under the 1986 sequester order in accordance with Gramm-Rudman-Hollings legislation.

Note.—The second budget estimate is developed at the same time as the first budget estimate for the succeeding fiscal year is developed.

CCC INVENTORY

Mr. **Whitten**. Please provide for the record a table showing CCC inventory by commodity as of September 30, 1989, the sales of inventory by commodity as of December 31, 1989, and the sales for fiscal year 1990 as estimated in the fiscal year 1991 budget.

Mr. **Dewhurst**. We will provide a list, by commodity, of all the CCC inventory outstanding as of September 30, 1989 and a corresponding list of sales for these commodities as of December 31, 1989. A list of estimated sales for all of fiscal year 1990 will also be included.

[The information follows:]

CCC INVENTORY AND SALES, BY COMMODITY
(quantity and dollars in millions)

Item	Inventory Outstanding as of September 30, 1989		Fiscal year 1990 actual CCC sales as of December 31, 1989		Fiscal year 1990 estimated sales in fiscal year 1991 President's budget	
	(Mil. Qty.)	(Mil. Dol.)	(Mil. Qty.)	(Mil. Dol.)	(Mil. Qty.)	(Mil. Dol.)
Corn (bu)....................	491.9	$1,253.5	14.4	$26.9	23.6	$42.3
Grain sorghum (bu)...........	359.0	936.3	0.7	2.6	9.9	22.5
Barley (bu)..................	38.3	80.7	1.9	2.0	0.0	0.0
Oats (bu)....................	1.3	2.0	0.1	0.1	0.5	0.4
Total feed grains.........	890.5	2,272.5	17.1	31.6	34.0	65.2
Wheat (bu)...................	180.3	697.5	28.1	99.7	84.9	310.4
Rice (rough and milled) (cwt).	4.0	27.6	1.2	13.0	2.7	36.5
Soybeans (bu)................	0.6	3.1	0.0	0.0	0.6	3.4
Honey (lb)...................	56.9	41.0	0.0	0.0	1.5	0.5
Rye (bu).....................	6.0	13.1	0.0	0.0	0.0	0.0
Upland cotton (bale)..........	0.1	33.8	0.1	15.9	0.1	42.3
Dairy products						
Butter (lb)..................	407.6	564.8	17.1	12.6	228.1	130.9
Butteroil (lb)...............	14.1	22.9	16.0	15.1	37.5	34.5
Cheese (lb)..................	48.9	65.6	0.0	0.0	5.0	3.1
Milk, dried (lb).............	32.0	28.0	0.1	0.0	15.3	8.8
Ultra high temp. milk (lb)....	0.0	0.0	0.0	0.0	0.0	0.0
Mozzarella (lb)...............	0.0	0.0	0.0	0.0	0.0	0.0
Total dairy...............	502.6	681.3	33.2	27.7	285.9	177.3
Redmeat (lb).................	1.5	1.4	0.0	0.0	0.0	0.0
All other.....................	XXX	0.0	XXX	68.8	0.0	283.0 (1)
Total	XXX	3,771.3	XXX	256.7	XXX	918.6

(1) Represents transfer of commodities to Public Law 480, Title II, which are reimbursed to CCC by the Public Law 480 appropriation.

ASCS/BUD/CPB/CEK

Feb. 27, 1990

ECONOMIC ASSUMPTIONS

Mr. **Whitten**. Please provide for the record the major economic assumptions used by the Administration to formulate the fiscal year 1991 budget.

[The information follows:]

Table I–1. ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	Actual 1988	Assumptions						
		1989 [5]	1990	1991	1992	1993	1994	1995
Major economic indicators:								
Gross national product, percent change, fourth quarter over fourth quarter:								
Current dollars	7.5	6.7	7.0	7.6	7.1	6.7	6.3	6.0
Constant (1982) dollars	3.4	2.7	2.6	3.3	3.2	3.1	3.0	3.0
GNP deflator (percent change, fourth quarter over fourth quarter)	4.0	4.0	4.2	4.1	3.8	3.5	3.2	2.9
Consumer Price Index (percent change, fourth quarter over fourth quarter) [1]	4.2	4.4	4.1	4.0	3.8	3.5	3.2	2.9
Unemployment rate (percent, fourth quarter) [2]	5.3	5.3	5.4	5.2	5.2	5.1	5.0	5.0
Annual economic assumptions:								
Gross national product:								
Current dollars:								
Amount	4,881	5,236	5,583	6,002	6,439	6,881	7,324	7,771
Percent change, year over year	7.9	7.3	6.6	7.5	7.3	6.9	6.4	6.1
Constant (1982) dollars:								
Amount	4,024	4,144	4,244	4,379	4,521	4,662	4,804	4,948
Percent change, year over year	4.4	3.0	2.4	3.2	3.2	3.1	3.0	3.0
Incomes:								
Personal income	4,064	4,424	4,701	5,039	5,384	5,730	6,079	6,429
Wages and salaries	2,429	2,626	2,805	3,022	3,246	3,469	3,686	3,904
Corporate profits before tax	307	303	360	421	472	515	548	579
Price level:								
GNP deflator:								
Level (1982 = 100), annual average	121.3	126.4	131.6	137.1	142.4	147.6	152.5	157.1
Percent change, year over year	3.3	4.2	4.1	4.2	3.9	3.6	3.3	3.0
Consumer Price Index: [1]								
Level (1982–84 = 100), annual average	117.0	122.6	127.3	132.5	137.6	142.6	147.3	151.7
[illegible]t change, year over year	4.0	4.8	3.9	4.0	3.9	3.6	3.3	3.0
Unem[illegible] rates:								
Total, annual average [2]	5.4	5.2	5.4	5.3	5.2	5.1	5.0	5.0
Insured, annual average [3]	2.1	2.1	2.2	2.1	2.0	1.9	1.9	1.8
Federal pay raises, January (percent)	2.0	4.1	3.6	3.5	4.0	3.7	3.4	3.1
Interest rates (percent):								
91-day Treasury bills [4]	6.7	8.1	6.7	5.4	5.3	5.0	4.7	4.4
10-year Treasury notes	8.8	8.5	7.7	6.8	6.3	6.0	5.7	5.4

[1] CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.
[2] Percent of total labor force, including armed forces residing in the U.S.
[3] Unemployment under State regular unemployment insurance as a percentage of covered employment under that program; does not include recipients of extended benefits under that program.
[4] Average rate on new issues within period, on a bank discount basis. These projections assume, by convention, that interest rates decline with the rate of inflation.
[5] Based on data available as of mid-November 1989.

SOURCE: The Budget of the United States Government, Fiscal Year 1991.

STAFF YEARS

Mr. WHITTEN. Please provide for the record a table showing total USDA staff-year levels by agency for fiscal years 1989, 1990, and the estimate for fiscal year 1991.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Staff-Years

Fiscal Years 1989, 1990, and 1991

Agency	1989 Actual	1990 Estimate	1991 Estimate
SCIENCE AND EDUCATION			
Agricultural Research Service	8,200	8,200	8,200
Cooperative State Research Service	167	175	193
Extension Service	171	173	175
National Agricultural Library	202	192	192
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS			
Agricultural Stabilization and Conservation Service	3,295	3,359	3,364
Foreign Agricultural Service	851	847	855
Office of International Cooperation and Development	187	194	196
NATURAL RESOURCES AND ENVIRONMENT			
Forest Service	40,913	40,000	39,085
Soil Conservation Service	13,954	14,177	13,821
SMALL COMMUNITY AND RURAL DEVELOPMENT			
Farmers Home Administration	12,571	12,825	13,250
Rural Electrification Administration	533	550	531
Federal Crop Insurance Corporation	862	865	865
FOOD AND CONSUMER SERVICES			
Human Nutrition Information Service	90	90	106
Food and Nutrition Service	1,907	2,026	2,076
MARKETING AND INSPECTION SERVICES			
Federal Grain Inspection Service	816	800	807
Animal and Plant Health Inspection Service	5,633	5,680	5,750
Food Safety and Inspection Service	9,367	9,423	9,525
Agricultural Cooperative Service	65	69	69
Agricultural Marketing Service	4,095	4,097	4,117
Office of Transportation	35	35	35
Packers and Stockyards Administration	183	187	187
ECONOMICS			
Economic Research Service	792	850	835
National Agricultural Statistics Service	1,059	1,034	1,209
World Agricultural Outlook Board	28	32	33
ADMINISTRATION			
Office of the Secretary	87	93	95
Departmental Administration	2,071	2,177	2,189
Office of Budget and Program Analysis	74	78	78
Office of Public Affairs	141	153	153
Office of the Inspector General	860	860	870
Office of the General Counsel	359	387	400
TOTAL, United States Department of Agriculture	109,567	109,628	109,261

OFFICE OF THE SECRETARY—STAFFING

Mr. **Whitten**. Please provide for the record a listing of the staff, by position or title and grade, for the Office of the Secretary and each Office of Under or Assistant Secretary.

Mr. **Dewhurst**. I will provide a listing as of January 30, 1990 that provides the staffing as shown in our Explanatory Notes.

[The information follows:]

OFFICE OF THE SECRETARY
Staffing as of January 30, 1990

NOTE: This listing includes both filled and vacant positions.

IMMEDIATE OFFICE OF THE SECRETARY

Secretary of Agriculture, EX-1
Chief of Staff, ES-6
Special Assistant to the Secretary, ES-6
Special Assistant to the Secretary, ES-3
Special Assistant to the Secretary, ES-2
Executive Assistant for Operations & Protocol, ES-1
Executive Assistant, ES-2
White House Fellow , GM-15
Special Assistant to the Secretary, GM-15
Special Assistant to the Secretary, GM-14
Confidential Assistant, GM-14
Confidential Assistant to the Special Assistant, GM-14
Confidential Assistant to the Special Assistant, GS-12
Staff Assistant, GS-12
Staff Assistant, GS-12
Staff Assistant to the Secretary, GS-10
Staff Assistant, GS-9
Staff Assistant, GS-8
Correspondence Assistant, Typing, GS-7
Secretary, Typing, GS-6
Staff Assistant, Typing, GS-8
Chauffeur, WG-8

Office of the Deputy Secretary

Deputy Secretary of Agriculture, EX-2
Confidential Assistant to the Secretary, GM-15
Executive Assistant, GS-12
Secretary, GS-10
Chauffeur, WG-6

International Affairs and Commodity Programs

Under Secretary for International Affairs & Commodity Programs, EX-3
Deputy Under Secretary, ES-5
Deputy Under Secretary, ES-1
Private Secretary to Under Secretary, GS-12
Secretary, GS-10

Small Community and Rural Development

Under Secretary for Small Community & Rural Development, EX-3
Deputy Under Secretary, ES-6
Assistant Under Secretary, ES-6
Private Secretary to the Under Secretary, GS-12
Secretary, Typing, GS-8

Assistant Secretary for Administration

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-5
Special Assistant to the Assistant Secretary, GM-15
Secretary, Stenography, GS-10
Secretary, Typing GS-9

Assistant Secretary for Food and Consumer Services

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-1
Executive Assistant to the Assistant Secretary, GM-15
Staff Secretary to Assistant Secretary, GS-9
Private Secretary to Assistant Secretary, GS-10

Assistant Secretary for Marketing and Inspection Services

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-4
Confidential Assistant to the Assistant Secretary, GS-14
Secretary, Stenography, GS-10
Secretary, Stenography, GS-9

Assistant Secretary for Natural Resources and Environment

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-3
Confidential Assistant to the Assistant Secretary, GM-14
Private Secretary to the Assistant Secretary, GS-11
Secretary, Stenography. GS-8

Assistant Secretary for Economics

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-6
Confidential Assistant to the Assistant Secretary, GS-14
Confidential Assistant to the Assistant Secretary, GS-11
Private Secretary, GS-9

Assistant Secretary for Science and Education

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-6
Confidential Assistant to the Assistant Secretary, GM-15
Private Secretary to the Assistant Secretary, GS-11
Private Secretary to the Deputy Assistant Secretary, GS-9

Assistant Secretary for Congressional Relations

Assistant Secretary, EX-4
Deputy Assistant Secretary, ES-6
Confidential Assistant to the Assistant Secretary, GM-15
Confidential Assistant to the Assistant Secretary, GM-15
Confidential Assistant to the Assistant Secretary, GM-15
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-13
Confidential Assistant to the Assistant Secretary, GS-11
Private Secretary to the Assistant Secretary, GS-11
Secretary, GS-8
Exhibit Maker, WG-6

OBJECT CLASSIFICATION

Mr. WHITTEN. Also provide for the record an object classification table for fiscal years 1989, 1990, and 1991 for the Office of the Secretary and each Office of Assistant or Under Secretary.

Mr. DEWHURST. I will be happy to.

[The information follows:]

OFFICE OF THE SECRETARY
IMMEDIATE OFFICE

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	757,000	1,194,000	1,310,000
1200	Personnel Benefits	163,000	252,000	255,000
	Total	920,000	1,446,000	1,565,000
2100	Travel	60,000	35,000	35,000
2200	Transportation of Things	2,000	1,000	1,000
2300	Communications, Utilities and rent	244,000	195,000	148,000
2400	Printing and reproduction	113,000	39,000	33,000
2500	Other Services	205,000	764,000	142,000
2600	Supplies	43,000	25,000	18,000
3100	Equipment	26,000	1,000	1,000
	Total Other Objects	693,000	1,060,000	378,000
Total Direct Obligations		1,613,000	2,506,000	1,943,000

NOTE: Funding of $790,000 for the Farm Export and Investigation of Foreign Competition programs is included in the FY 1990 column.

OFFICE OF THE SECRETARY
DEPUTY SECRETARY

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	235,000	279,000	325 000
1200	Personnel Benefits	51,000	55,000	66,000
	Total	286,000	334,000	391,000
2100	Travel	15,000	10,000	18,000
2200	Transportation of Things	3,000	0	0
2300	Communications, Utilities and rent	12,000	14,000	18,000
2400	Printing and reproduction	3,000	5,000	9,000
2500	Other Services	26,000	22,000	29,000
2600	Supplies	3,000	6,000	9,000
3100	Equipment	3,000	1,000	3,000
	Total Other Objects	65,000	58,000	86,000
Total Direct Obligations		351,000	392,000	477,000

OFFICE OF THE SECRETARY
ADMINISTRATION

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	293,000	300,000	362,000
1200	Personnel Benefits	58,000	62,000	78,000
	Total	351,000	362,000	440,000
2100	Travel	11,000	10,000	8,000
2200	Transportation of Things	3,000	0	0
2300	Communications, Utilities and rent	30,000	40,000	35,000
2400	Printing and reproduction	10,000	10,000	12,000
2500	Other Services	23,000	32,000	38,000
2600	Supplies	8,000	9,000	9,000
3100	Equipment	1,000	1,000	2,000
	Total Other Objects	86,000	102,000	104,000
Total Direct Obligations		437,000	464,000	544,000

OFFICE OF THE SECRETARY
CONGRESSIONAL RELATIONS

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	627,000	696,000	790,000
1200	Personnel Benefits	99,000	133,000	158,000
	Total	726,000	829,000	948,000
2100	Travel	16,000	10,000	15,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	18,000	40,000	43,000
2400	Printing and reproduction	9,000	13,000	19,000
2500	Other Services	21,000	40,000	50,000
2600	Supplies	34,000	16,000	19,000
3100	Equipment	25,000	3,000	1,000
	Total Other Objects	123,000	122,000	147,000
Total Direct Obligations		849,000	951,000	1,095,000

OFFICE OF THE SECRETARY
ECONOMICS

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	250,000	300,000	362,000
1200	Personnel Benefits	59,000	62,000	73,000
	Total	309,000	362,000	435,000
2100	Travel	22,000	9,000	8,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	23,000	31,000	33,000
2400	Printing and reproduction	10,000	13,000	13,000
2500	Other Services	19,000	24,000	27,000
2600	Supplies	19,000	7,000	11,000
3100	Equipment	9,000	2,000	2,000
	Total Other Objects	102,000	86,000	94,000
Total Direct Obligations		411,000	448,000	529,000

OFFICE OF THE SECRETARY
SCIENCE & EDUCATION

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	245,000	300,000	357,000
1200	Personnel Benefits	56,000	62,000	77,000
	Total	301,000	362,000	434,000
2100	Travel	13,000	7,000	8,000
2200	Transportation of Things	10,000	0	0
2300	Communications, Utilities and rent	21,000	27,000	28,000
2400	Printing and reproduction	9,000	8,000	8,000
2500	Other Services	12,000	19,000	25,000
2600	Supplies	13,000	8,000	7,000
3100	Equipment	5,000	1,000	2,000
	Total Other Objects	83,000	70,000	78,000
Total Direct Obligations		384,000	432,000	512,000

OFFICE OF THE SECRETARY
MARKETING & INSPECTION SERVICE

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	225,000	298,000	356,000
1200	Personnel Benefits	49,000	63,000	71,000
	Total	274,000	361,000	427,000
2100	Travel	11,000	5,000	7,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	23,000	23,000	24,000
2400	Printing and reproduction	14,000	9,000	9,000
2500	Other Services	13,000	18,000	24,000
2600	Supplies	10,000	5,000	5,000
3100	Equipment	20,000	1,000	1,000
	Total Other Objects	91,000	61,000	70,000
Total Direct Obligations		365,000	422,000	497,000

OFFICE OF THE SECRETARY
INTERNATIONAL AFFAIRS & COMMODITY PROGRAMS

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	261,000	300,000	363,000
1200	Personnel Benefits	48,000	62,000	79,000
	Total	309,000	362,000	442,000
2100	Travel	10,000	5,000	8,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	25,000	19,000	22,000
2400	Printing and reproduction	12,000	6,000	6,000
2500	Other Services	34,000	19,000	22,000
2600	Supplies	10,000	3,000	4,000
3100	Equipment	5,000	0	2,000
	Total Other Objects	96,000	52,000	64,000
Total Direct Obligations		405,000	414,000	506,000

OFFICE OF THE SECRETARY
SMALL COMMUNITY & RURAL DEVELOPMENT

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	248,000	300,000	495,000
1200	Personnel Benefits	31,000	61,000	95,000
	Total	279,000	361,000	590,000
2100	Travel	0	4,000	8,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	4,000	22,000	18,000
2400	Printing and reproduction	0	8,000	8,000
2500	Other Services	15,000	18,000	22,000
2600	Supplies	3,000	6,000	12,000
3100	Equipment	1,000	0	2,000
	Total Other Objects	23,000	58,000	70,000
Total Direct Obligations		302,000	419,000	660,000

OFFICE OF THE SECRETARY
NATURAL RESOURCES & ENVIRONMENT

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	129,000	300,000	369,000
1200	Personnel Benefits	35,000	63,000	75,000
	Total	164,000	363,000	444,000
2100	Travel	0	8,000	8,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	15,000	18,000	20,000
2400	Printing and reproduction	8,000	12,000	20,000
2500	Other Services	23,000	27,000	30,000
2600	Supplies	15,000	9,000	14,000
3100	Equipment	6,000	2,000	2,000
	Total Other Objects	67,000	76,000	94,000
Total Direct Obligations		231,000	439,000	538,000

NOTE: Funding for the Assistant to the Secretary for Special Services and Natural Resources is consolidated in FY 1990 and FY 1991 in the funding for the Assistant Secretary for Natural Resources and Environment.

OFFICE OF THE SECRETARY
SPECIAL SERVICES

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	101,000	0	0
1200	Personnel Benefits	9,000	0	0
	Total	110,000	0	0
2100	Travel	1,000	0	0
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	11,000	0	0
2400	Printing and reproduction	4,000	0	0
2500	Other Services	7,000	0	0
2600	Supplies	4,000	0	0
3100	Equipment	0	0	0
	Total Other Objects	27,000	0	0
Total Direct Obligations		137,000	0	0

NOTE: Funding for the Assistant to the Secretary for Special Services is included in FY 1990 and FY 1991 in the funding for the Assistant Secretary for Natural Resources and Environment.

OFFICE OF THE SECRETARY
FOOD & CONSUMER SERVICES

CLASSIFICATION BY OBJECTS
1989 and Projected 1990 and 1991

Object Class	Title	1989	1990	1991
1100	Personnel Compensation	119,000	298,000	357,000
1200	Personnel Benefits	35,000	61,000	67,000
	Total	154,000	359,000	424,000
2100	Travel	2,000	5,000	8,000
2200	Transportation of Things	0	0	0
2300	Communications, Utilities and rent	27,000	17,000	18,000
2400	Printing and reproduction	72,000	6,000	9,000
2500	Other Services	18,000	14,000	18,000
2600	Supplies	23,000	6,000	6,000
3100	Equipment	0	0	2,000
	Total Other Objects	142,000	48,000	61,000
Total Direct Obligations		296,000	407,000	485,000

SES BONUSES

Mr. WHITTEN. List, by agency, the amount of SES bonuses paid during fiscal years 1988 and 1989.

[The information follows:]

Agency	Amount—Fiscal year	
	1988	1989
Office of the Secretary	$7,500	10,000
Departmental Administration	49,000	37,000
Office of Public Affairs	4,500	4,500
Office of the Inspector General	18,000	16,500
Office of Budget and Program Analysis	22,000	24,500
Office of the General Counsel	26,500	32,500
Agricultural Research Service	70,000	74,500
Cooperative State Research Service	12,000	21,000
Extension Service	19,500	13,500
National Agricultural Library	4,500	0
National Agricultural Statistics Service	12,000	12,000
Economic Research Service	16,500	12,000
World Agricultural Outlook Board	4,500	0
Foreign Agricultural Service	0	14,500
Office of International Cooperation & Development	0	0
Agricultural Stabilization & Conservation Service	26,500	19,000
Rural Electrification Administration	0	0
Farmers Home Administration	17,500	22,000
Soil Conservation Service	54,500	60,500
Animal and Plant Health Inspection Service	22,500	32,500
Food Safety and Inspection Service	46,000	58,000
Agricultural Marketing Service	19,000	28,000
Federal Grain Inspection Service	0	10,000
Packers and Stockyards Administration	10,000	0
Food and Nutrition Service	28,,000	28,000
Forest Service	110,500	128,000
Total, SES bounses	601,000	658,000

REORGANIZATIONS

Mr. WHITTEN. Please list the internal changes that have occurred within USDA during the past 12 months in terms of reorganization, new offices, etc. How was the funding handled?

Mr. DEWHURST. The only reorganization that occurred during the last 12 months was the abolishment of the Office of the Assistant Secretary for Governmental and Public Affairs. It is now called the Office of the Assistant Secretary for Congressional Relations and it includes Congressional Relations, which was formerly funded in the Office of Governmental and Public Affairs. The Office of Public Affairs was also established. This office includes the public affairs and intergovernmental affairs functions previously performed in the Office of Governmental and Public Affairs.

AGENCY-WIDE OBJECT CLASS TABLES

Mr. WHITTEN. At this point in the record, please provide an object class table for all of USDA, except the Forest Service?

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE: AGENCY-WIDE OBJECT CLASS TABLE (EXCLUDING FOREST SERVICE)

[In thousands of dollars]

		Fiscal year—		
		1989 actual	1990 estimate	1991 estimate
11.1	Full-time permanent	1,873,673	1,968,362	2,063,506
11.3	Other than full-time permanent	115,496	117,239	119,567
11.5	Other personnel compensation	113,631	114,339	120,902
11.8	Special personnel services payments	10	15	15
12.1	Civilian personnel benefits	390,823	418,255	447,615
13.0	Benefits for former personnel	6,636	7,294	7,843
	Personal services and benefits subtotal	2,500,269	2,625,504	2,759,448
21.0	Travel and transportation of persons	128,005	135,389	140,518
22.0	Transportation of things	417,522	385,709	418,329
23.1	Rental payments to GSA	51,125	52,397	51,957
23.2	Rental payments to others	52,481	57,693	61,571
23.3	Communications, utilities, and miscellaneous	198,614	224,465	233,968
24.0	Printing and reproduction	46,268	48,583	50,140
25.0	Other services	4,769,084	3,680,317	3,198,409
26.0	Supplies and materials	6,111,962	4,464,268	5,222,266
	Contractual services and supplies subtotal	11,775,061	9,048,821	9,377,158
31.0	Equipment	137,074	159,762	169,939
32.0	Land and structures	15,941	35,560	62,379
33.0	Investments and loans	12,013,158	12,840,206	9,959,260
	Acquisition of capital assets subtotal	12,166,173	13,035,528	10,191,578
41.0	Grants, subsidies, and contributions	34,387,249	33,529,820	36,186,533
42.0	Insurance claims and indemnities	1,324,086	1,005,619	104,138
43.0	Interest and dividends	12,074,421	10,964,486	10,934,470
44.0	Refunds	18,582	17,322	17,122
	Grants and fixed charges subtotal	47,804,338	45,517,247	47,242,263
99.9	Gross obligations	74,245,841	70,227,100	69,570,447

INFLATION

Mr. WHITTEN. What inflation factors, if any, have been built into your fiscal year 1991 estimates? Inflation affects each agency equally. Did each agency receive the same percentage increase?

Mr. DEWHURST. The agencies absorbed the increase for the pay cost increase that became effective January 1990. The agencies have requested 50 percent of funds for the pay cost increase that will become effective in January 1991. The remainder of the costs for the 1991 pay raise will be absorbed. For nonsalary costs inflation, these were considered on a case by case basis. In some cases, agencies were given an increase for nonsalary costs. The budget justifications submitted to the Committee reflect the areas where increases were requested. Where provided the increase was based on the OMB indicator for GNP of 4.2 percent.

PERSONNEL CEILINGS

Mr. WHITTEN. What adjustments have been made to agency personnel ceilings during the last 12 months?

[The information follows:]

STAFF YEAR CEILINGS

Agency	1990 ceiling (in 1990 budget)	1990 ceiling (in 1991 budget)
Science and education:		
Agricultural Research Service	8,147	8,200
Cooperative State Research Service	160	175
Extension Service	173	173
National Agricultural Library	191	192
International Affairs and Commodity Programs:		
Agricultural Stabilization and Conservation Service	3,101	3,359
Foreign Agriculture Service	832	847
Office of International Cooperation and Development	192	194
Natural resources and environment:		
Forest Service	36,688	40,000
Soil Conservation Service	13,143	14,177
Small community and rural development:		
Farmers Home Administration	12,675	12,825
Rural Electrification Administration	531	550
Federal Crop Insurance Corporation	865	865
Food and consumer services:		
Food and Nutrition Service	2,100	2,026
Human Nutrition Information Service	90	90
Marketing and inspection services:		
Federal Grain Inspection Service	800	800
Animal and Plant Health Inspection Service	5,389	5,680
Food and Safety and Inspection Service	9,425	9,423
Agricultural Cooperative Service	45	69
Agricultural Marketing Service	3,900	4,097
Office of Transportation	20	35
Packers and Stockyards Administration	187	187
Economics:		
Economic Research Service	850	850
National Agricultural Statistics Service	1,034	1,034
World Agricultural Outlook Board	32	32
Administration:		
Office of the Secretary	85	93
Departmental Administration	2,151	2,177
Office of Budget and Program Analysis	78	78
Office of Public Affairs	161	153
Office of the Inspector General	860	860
Office of the General Counsel	385	387
Total, USDA	104,290	109,628

TRAVEL

Mr. WHITTEN. Please provide for the record a table showing the travel requests for each agency of the Department for fiscal years 1989, 1990 and 1991.

[The information follows:]

1991 BUDGET USDA OBJECT CLASS SUMMARY—TRAVEL BY AGENCY

[In thousands dollars]

Object class agency	1989 prior year	1990 current year	1991 budget year
21.0 TRAVEL			
Office of the Secretary	293	143	171
Departmental administration	2,141	2,311	2,306
Office of Budget and Program Analysis	27	21	27
Office of Public Affairs	92	100	107
Office of the Inspector General	4,293	4,371	4,945
Office of the General Counsel	267	359	511
Agricultural Research Service	9,972	10,421	10,871
Cooperative State Research Service	855	921	1,074
Extension Service	702	700	700
National Agricultural Library	159	181	184
National Agricultural Statistics Service	1,272	1,613	1,924
Economic Research Service	744	761	825
World Agricultural Outlook Board	35	32	32
Foreign Agricultural Service	3,132	3,342	3,416
Office of International Cooperation and Development	2,849	4,126	3,926
Agricultural Stabilization and Conservation Service	6,254	6,947	7,286
Federal Crop Insurance Corp	2,577	3,622	3,910
Rural Electrification Administration	1,953	1,823	1,979
Farmers Home Administration	19,534	21,818	22,831
Soil Conservation Service	18,633	18,885	19,400
Animal and Plant Health Inspection Service	11,683	12,203	12,626
Federal Grain Inspection Service	1,486	1,439	1,455
Agricultural Marketing Service	13,629	14,015	14,155
Office of Transportation	68	95	80
Food Safety and Inspection Service	20,858	20,653	20,620
Food and Nutrition Service	3,713	3,639	4,280
Human Nutrition Information Service	57	80	80
Packers and Stockyards Administration	541	578	607
Agricultural Cooperative Service	186	190	190
Object subtotal	128,005	135,389	140,518
Forest Service	94,432	110,525	69,018
Object total	222,437	245,914	209,536

Mr. WHITTEN. In developing the fiscal year 1991 budget, were any across-the-board reductions applied to travel funds either by the Department or OMB? If so, please detail.

Mr. DEWHURST. No across-the-board travel reductions were used in developing the fiscal year 1991 budget.

Mr. WHITTEN. Were across-the-board reductions applied to any other object classification accounts?

Mr. DEWHURST. No across-the-board reductions were applied in developing the fiscal year 1991 budget.

EQUIPMENT

Mr. WHITTEN. Please provide a table for the equipment account for each agency for fiscal years 1989, 1990 and 1991.

Mr. DEWHURST. I will be happy to provide that informatoin for the record.

[The information follows:]

1991 BUDGET USDA OBJECT CLASS SUMMARY—EQUIPMENT BY AGENCY

[In thousand of dollars]

Object class/agency	1989 prior year	1990 current year	1991 budget year
31.0 EQUIPMENT			
Office of the Secretary	145	17	25
Departmental administration	17,344	15,838	15,842
Office of Budget and Program Analysis	72	59	175
Office of Public Affairs	156	89	89
Office of the Inspector General	706	719	1,732
Office of the General Counsel	1,100	498	270
Agricultural Research Service	37,732	40,982	43,782
Cooperative State Research Service	444	244	281
Extension Service	142	140	100
National Agricultural Library	898	950	1,000
National Agricultural Statistics Service	2,045	4,095	4,517
Economic Research Service	2,288	1,347	1,552
World Agricultural Outlook Board	55	55	233
Foreign Agricultural Service	1,372	1,624	1,562
Office of International Cooperation and Development	267	380	332
Agricultural Stabilization and Conservation Service	1,127	1,472	1,479
Federal Corp Insurance Corp	1,167	2,110	675
Commodity Credit Corporation	19,503	40,500	42,100
Rural Electrification Administration	956	627	651
Farmers Home Administration	2,868	4,488	4,096
Soil Conservation Service	25,000	23,584	23,344
Animal and Plant Health Inspection Service	10,216	10,751	11,142
Federal Grain Inspection Service	1,721	1,008	1,987
Agricultural Marketing Service	4,373	4,540	6,182
Office of Transportation	88	55	55
Food Safety and Inspection Service	1,840	1,802	4,065
Food and Nutrition Service	3,250	1,529	2,018
Human Nutrition Information Service	91	150	160
Packers and Stockyards Administration	41	40	433
Agricultural Cooperative Service	67	69	60
Object subtotal	137,074	159,762	169,939
Forest Service	103,911	125,613	83,474
Object total	240,985	285,375	253,413

1890 LAND-GRANT INSTITUTIONS

Mr. WHITTEN. Would you please provide for the record a table showing all funds available to the 1890 land-grant institutions for fiscal years 1989, 1990 and 1991?

[The information follows:]

INITIATIVE TO SUPPORT 1890 LAND-GRANT INSTITUTIONS AND TUSKEGEE UNIVERSITY

[Program level in millions dollars]

Program	1989 actual	1990 current estimate	1991 budget
Cooperative State Research Service:			
Evans-Allen formula for 1890 institutions	24.3	25.0	26.2
Capacity building grants	0.0	5.4	11.0
Strengthening grants	1.9	1.9	0.0
Other programs, grants to historically black instituions	2.5	2.8	1.3
Subtotal	28.7	35.1	[1] 38.5

INITIATIVE TO SUPPORT 1890 LAND-GRANT INSTITUTIONS AND TUSKEGEE UNIVERSITY—Continued

[Program level in millions dollars]

Program	1989 actual	1990 current estimate	1991 budget
Extension Service:			
Formula payments for extension services	18.3	21.8	23.1
Grants for extension facilities	9.5	9.4	9.5
Other program, grants to other historically black institutions	1.7	1.7	1.7
Subtotal	29.5	32.9	34.3
Other agencies: Cooperative research, support of agency programs, student assistance and recruiting	7.2	9.4	12.3
Total	65.4	77.4	85.1

[1] Exludes funds within other proposed higher education programs which will also support minority expertise development.

1890 LAND-GRANT INSTITUTIONS

Mr. WHITTEN. For fiscal year 1991 would you please provide for the record a table showing the amount requested for the 1890 land-grant institutions by the requesting agency, the amount the Secretary requested of OMB, and the OMB allowance?

[The information follows:]

[In millions of dollars]

	1991 agency estimate	1991 Department estimate	1991 budget
Cooperative State Research Service:			
Evans-Allen formula	26.2	26.2	26.2
Capacity building grants	11.0	11.0	11.0
Other programs, grants to historically black instituions	1.3	1.3	1.3
Subtotal	38.5	38.5	[1] 38.5
Extension Service:			
Formula payments for extension services	28.0	22.6	23.1
Grants for extension facilities	10.0	10.0	9.5
Other programs, grants to historically black institutions	1.7	1.7	1.7
Subtotal	39.7	34.3	34.3
Other agencies: Cooperative research, support of agency programs, student assistance and recruiting	12.3	12.3	12.3
Total	90.5	85.1	85.1

[1] Exludes funds within other proposed higher education programs which will also support minority expertise development.

PASSENGER MOTOR VEHICLES

Mr. WHITTEN. Please provide for the record a table showing the number of vehicles owned by the Department of Agriculture, by agency, for fiscal year 1989, 1990 and 1991.

[The information follows:]

USDA-OWNED PASSENGER MOTOR VEHICLES

Agency	1989	1990	1991
Agricultural Research Service	472	472	472
National Agricultural Statistics Service	14	14	14
Foreign Agricultural Service	33	34	36
Agricultural Stabilization and Conservation Service	7	7	7
Farmers Home Administration	3	3	3
Soil Conservation Service	2,029	2,029	2,029
Animal and Plant Health Inspection Service	583	559	559
Agricultural Marketing Service	62	65	68
Total, USDA (excluding Forest Service)	3,203	3,183	3,188

MOTOR VEHICLES—FOREIGN MANUFACTURE

Mr. WHITTEN. During 1989 did USDA purchase any motor vehicles of foreign manufacture, and if so, how many were purchased?

Mr. DEWHURST. Mr. Chairman, the Department has been advised to purchase American-made vehicles whenever possible. Only American-made vehicles are purchased for use in the U.S. However, during 1989 a total of six vehicles of foreign manufacture were purchased, five by APHIS and one by ARS, all for use in foreign countries.

CONGRESSIONAL LIAISON

Mr. WHITTEN. Please provide for the record the number of people assigned and the expenditure or request of funds for each office or agency of the Department of Agriculture for congressional affairs for fiscal years 1989, 1990, and 191.

Mr. DEWHURST. I will be happy to provide this information for the record.

[The information follows:]

USDA CONGRESSIONAL LIAISON

(Dollars in Thousands)

	1989		1990		1991	
AGENCY	Employment	Staff-Years	Employment	Staff-Years	Employment	Staff-Years
AMS:						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$156		$162		$162
FGIS:						
Professional	--	--	2	1	2	1
Clerical	--	--	--	--	--	--
Budget Auth.		$0		$55		$57
SCS:						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$134		$139		$143
OT:						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$30		$30		$30
FSIS:						
Professional	3	2	3	3	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$138		$185		$188
FS:						
Professional	1	1	1	1	1	1
Clerical	1	1	1	1	1	1
Budget Auth.		$43		$45		$48
ASCS:						
Professional	3	3	3	1	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$134		$130		$156
REA:						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$59		$60		$68
FCIC:						
Professional	3	1	3	1	3	1
Clerical	1	1	1	1	1	1
Budget Auth.		$98		$98		$104
FmHA:						
Professional	7	6	7	6	7	6
Clerical	3	2	3	2	3	2
Budget Auth.		$391		$411		$429
OSec a/						
Professional	3	5	12	12	12	12
Clerical	2	2	3	3	3	3
Budget Auth.		$497		$951		$1,095
ARS						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$138		$142		$145
FAS						
Professional	3	3	3	3	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$142		$146		$151

USDA CONGRESSIONAL LIAISON (Continued)

(Dollars in Thousands)

	1989		1990		1991	
AGENCY	Employment	Staff-Years	Employment	Staff-Years	Employment	Staff-Years
FNS						
Professional	4	4	4	4	4	4
Clerical	2	2	2	2	2	2
Budget Auth.		$241		$244		$249
APHIS						
Professional	4	2	4	2	4	2
Clerical	--	--	--	--	--	--
Budget Auth.		$107		$117		$120
OICD						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$41		$42		$43
OIG						
Professional	2	2	2	2	2	2
Clerical	--	--	--	--	--	--
Budget Auth.		$102		$102		$102
PSA:						
Professional	--	b/	--	b/	--	b/
Clerical	--	b/	--	b/	--	b/
Budget Auth.		$27		$28		$33
TOTAL						
Professional	42	38	53	45	53	47
Clerical	15	14	16	15	16	15
Budget Auth.		$2,478		$3,087		$3,323

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a/ This activity was funded in Congressional Relations of Office of Governmental and Public Affairs in FY 1989

b/ Less than 0.5 staff-years

TRAINING COSTS

Mr. WHITTEN. Please provide for the record the training budget for each agency or office of the Department for fiscal years 1989, 1990, and 1991.

Mr. DEWHURST. I will be glad to provide that information.

[The information follows:]

TRAINING COSTS

[In thousands of dollars]

Agency	1989	1990	1991
Office of the Secretary	8	10	10
Departmental administration	230	239	251
Office of Budget and Program Analysis	27	15	25
Office of Public Affairs	36	40	50
Office of the Inspector General	150	175	175
Office of the General Counsel	85	90	93
Agricultural Research Service	1,380	1,361	1,361
Cooperative State Research Service	42	44	46
Extension Service	89	88	84
National Agricultural Library	45	71	73
National Agricultural Statistics Service	328	291	331
Economic Research Service	358	344	346
World Agricultural Outlook Board	8	9	9
Foreign Agricultural Service	494	565	588
Office of International Cooperation and Development	17	17	17
Agricultural Stabilization and Conservation Service	964	1,002	1,045
Federal Crop Insurance Corporation	334	334	347
Rural Electrification Administration	176	115	200
Farmers Home Administration	8,102	11,300	11,100
Soil Conservation Service	3,263	3,714	4,794
Animal and Plant Health Inspection Service	1,255	1,300	1,300
Federal Grain Inspection Service	302	321	425
Agricultural Marketing Service	444	484	484
Office of Transportation	14	15	18
Food Safety and Inspection Service	7,013	5,900	7,450
Food and Nutrition Service	431	445	475
Human Nutrition Information Service	21	0	0
Packers and Stockyards Administration	33	35	64
Agricultural Cooperative Service	39	40	40
Subtotal, excluding Forest Service	25,688	28,364	31,201
Forest Service	13,500	14,500	16,000
Total, USDA	39,188	42,864	47,201

RETREATS

Mr. WHITTEN. During the past 12 months have any "retreats" been held for agency employees? For the record please indicate where each was held, what type of staff attended, and what was the total cost.

Mr. DEWHURST. The retreats were planned and coordinated by the agencies. I will provide for the record information supplied by the agencies.

[The information follows:]

RETREATS, FISCAL YEAR 1989

[Dollars in thousands]

Agency	Location	Budget	Staff	Specific group targeted
OT	Ocean City, MD	$3	11	Top management.
DA	Coolfont, WV	6	80	Director's staff and division staff chiefs.
DA	Williamsburg, VA	1	17	Clerical staff.
APHIS	Shepardstown, WV	3	12	Top management.
APHIS	Williamsburg, VA	1	7	Budget, accounting, and program analysis management.

TRAINING CENTERS

Mr. WHITTEN. Would you please provide for the record the location and purpose of all training centers operated by USDA agencies? What is the annual budget for each of these centers, and how many people are assigned, by location?

[The information follows:]

TRAINING CENTERS, FISCAL YEAR 1989

[Dollars in thousands]

Agency	Location	Budget	Staff	Purpose
AMS	Washington, DC	$264	5 PFT	Education programs for agency employees.
FSIS	Fort Worth, TX	398	7 PFT 1 other	Training for inspectors.
FS	Marana, AZ	579	10 PFT	Graduate-level training in fire and aviation, minerals and lands activities.
DA	Washington, DC	6	0	Rental of training space at George Mason University.
APHIS	Frederick, MD	1,670	27 PFT	Training in agency plant protection and quarantine programs.

OUTLAYS

Mr. WHITTEN. Please provide the percentage of funds that actually outlay for each appropriation account in the Rural Development, Agriculture, and Related Agencies Bill for each of the past five years.

Mr. DEWHURST. I will provide a table for the record showing the actual percentage outlayed.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
Percent Outlayed from New Budget Authority

	1987	1988	1989	1990	1991
Office of the Secretary	28.3%	83.7%	93.9%	99.0%	98.8%
Departmental Administration	84.6%	83.2%	83.7%	73.2%	72.8%
Rental Payments and Building Operations	87.2%	84.4%	83.7%	89.5%	88.9%
Advisory Committees	50.4%	48.7%	57.3%	68.0%	74.1%
Working Capital Fund	90.3%	0.6%	90.9%	0.0%	73.3%
Hazardous Waste Management	0.0%	35.4%	0.0%	40.4%	48.2%
Office of Budget and Program Analysis			0.0%	85.1%	85.9%
Office of Public Affairs	79.2%	80.6%	78.7%	67.4%	68.9%
Office of the Inspector General	86.3%	89.5%	91.2%	90.7%	91.6%
Office of the General Counsel	89.0%	89.2%	87.3%	87.9%	88.9%
Federal Grain Inspection Service	82.1%	87.4%	70.2%	81.9%	85.6%
Agricultural Research Service	76.[illegible]	76.8%	78.8%	77.4%	76.8%
Buildings and Facilities	1.[illegible]	0.5%	9.8%	32.7%	19.9%
Cooperative State Research Service	48.3%	54.6%	59.1%	51.6%	55.7%
Extension Service	78.6%	69.8%	90.8%	90.6%	88.8%
National Agricultural Library	68.2%	76.8%	77.7%	77.0%	75.2%
Animal and Plant Health Inspection Service	83.2%	82.3%	89.1%	88.7%	87.6%
Buildings and Facilities	0.0%	0.0%	96.2%	80.4%	70.1%
Economic Research Service	82.6%	83.0%	85.9%	85.0%	84.5%
National Agricultural Statistics Service	96.8%	87.6%	86.4%	84.3%	86.2%
World Agricultural Outlook Board	77.1%	80.1%	78.7%	79.3%	80.0%
Agricultural Cooperative Service	76.2%	64.3%	68.8%	71.4%	71.7%
Food Safety and Inspection Service	91.0%	91.6%	91.6%	91.3%	92.3%
Agricultural Marketing Service:					
Marketing Services	8.3%	83.9%	9.6%	61.0%	79.0%
Payments to States and Possessions	29.8%	13.0%	27.5%	26.0%	26.0%
Office of Transportation	84.1%	85.4%	82.5%	83.2%	83.4%
Packers and Stockyards Administration	87.9%	91.1%	88.3%	90.5%	90.8%
Agricultural Stabilization and Conservation Service:					
Agricultural Conservation Program	21.8%	59.3%	44.9%	44.9%	45.9%
Water Bank Program	16.7%	8.1%	7.2%	14.5%	13.5%
Emergency Conservation Program	29.0%	0.0%	29.0%	45.0%	0.0%
Dairy Indemnity Program	50.0%	0.0%	0.0%	0.0%	0.0%
Forestry Incentives Program	30.3%	36.3%	42.5%	33.0%	35.0%
Colorado River Basin Salinity Control Program	33.8%	21.4%	33.0%	33.0%	61.7%
Conservation Reserve Program	0.0%	26.8%	33.5%	60.9%	85.0%
Federal Crop Insurance Corporation:					
Administrative and Operating Expenses	39.7%	55.9%	68.4%	54.2%	54.0%
Federal Crop Insurance Corporation Fund	86.4%	61.2%	100.0%	100.0%	100.0%
Temporary Emergency Food Assistance Program	58.8%	59.9%	88.1%	88.1%	88.1%
Farmers Home Administration:					
Rural Housing Insurance Fund	32.8%	100.0%	29.5%	40.9%	17.5%
Agricultural Credit Insurance Fund	100.0%	100.0%	27.9%	25.7%	8.8%
Rural Development Insurance Fund	100.0%	1.8%	1.9%	1.7%	1.0%
Rural Water and Waste Disposal Grants	3.9%	4.5%	4.2%	4.0%	4.0%
Very-Low Income Housing Repair Grants	93.9%	97.6%	97.3%	95.0%	95.0%
Compensation for Construction Defects	33.8%	36.2%	62.4%	50.0%	0.0%
Mutual and Self-Help Housing	8.4%	8.0%	20.7%	8.0%	0.0%
Self-Help Housing Land Development Fund	0.0%	0.0%	0.0%	0.0%	0.0%
Rural Community Fire Protection Grants	41.1%	32.2%	26.0%	27.5%	0.0%
Rural Housing Preservation Grants	5.5%	2.8%	4.2%	3.0%	3.0%
Rural Housing for Domestic Farm Labor	0.5%	1.9%	0.0%	1.2%	1.0%
Salaries and Expenses	96.0%	88.3%	88.5%	91.1%	91.4%
Rural Development Grant Program	0.0%	1.5%	16.3%	15.0%	0.0%
Rural Housing Voucher Program	0.0%	0.0%	0.0%	0.0%	5.0%
Rural Development Loan Fund	0.0%	0.0%	17.0%	11.1%	10.7%

	1987	1988	1989	1990	1991
Rural Electrification Administration:					
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	100.0%	100.0%	100.0%	100.0%	0.0%
Purchase of Rural Telephone Bank Capital Stock	100.0%	100.0%	100.0%	100.0%	0.0%
Rural Communication Development Fund	100.0%	80.4%	81.6%	95.0%	100.0%
Salaries and Expenses	89.4%	81.4%	86.5%	90.0%	90.0%
Rural Electrification and Telephone Revolving Fund Loan Subsidies	0.0%	0.0%	0.0%	0.0%	0.0%
Soil Conservation Service:					
Conservation Operations	84.1%	92.0%	92.0%	92.0%	92.0%
River Basin Surveys and Investigations	100.0%	82.4%	84.2%	93.9%	94.0%
Watershed Planning	94.6%	84.3%	81.4%	86.0%	86.0%
Watershed and Flood Prevention Operations	62.4%	57.9%	54.9%	55.3%	59.1%
Great Plains Conservation Program	45.8%	45.0%	42.7%	42.5%	40.6%
Resource Conservation and Development	75.2%	78.3%	79.2%	73.8%	84.5%
Food and Nutrition Service:					
Food Program Administration	85.7%	86.9%	89.3%	89.0%	89.0%
Food Stamp Program	96.1%	94.8%	97.7%	96.1%	98.7%
Nutrition Assistance for Puerto Rico	99.6%	99.8%	99.8%	99.8%	0.0%
Special Milk Program	49.5%	65.6%	74.7%	64.4%	79.1%
State Child Nutrition Payments	30.5%	41.1%	42.3%	62.2%	83.3%
Women, Infants and Children (WIC)	91.7%	92.5%	93.6%	94.3%	94.3%
Commodity Supplemental Food Program	70.2%	75.7%	95.8%	95.8%	91.3%
Food Donations Programs for Selected Groups	78.1%	81.5%	84.7%	84.3%	81.6%
Human Nutrition Information Service	63.7%	50.7%	57.2%	60.3%	57.1%
Foreign Agricultural Service	57.6%	58.3%	58.4%	62.0%	62.0%
Office of International Cooperation and Development:					
Salaries and Expenses	100.0%	100.0%	100.0%	100.0%	100.0%
Scientific Activities Overseas (Foreign Currency Program)	0.0%	69.9%	60.0%	60.0%	0.0%
Public Law 480	100.0%	100.0%	100.0%	100.0%	100.0%

LEGISLATIVE PROPOSALS

Mr. **Whitten**. What new legislation does the Department plan to submit to Congress this session? When will the legislation be submitted?

Mr. **Dewhurst**. I will provide a list of new legislation for the record. It will include pending legislation submitted during the first session of this Congress and items presently under development in the Department. Farm Bill and budget related items are being given top priority. We anticipate significant movement of proposals to the Congress by the end of March, with further submittals in April. A concerted effort is being made to move legislative proposals through the system as quickly as possible.

[A list of legislative proposals follows:]

LEGISLATIVE INITIATIVES TO BE SUBMITTED OR PENDING BEFORE THE 101st CONGRESS

AMS

* Marketwide Milk Service Payments

* Revised Financing for Marketing Agreements & Orders

* Increased Grading Fees for Standardization Costs

Increased Grading Fees for Standardization Costs--Including Grain

* Charges for Printed Tobacco Market News Reports

APHIS

User Fees for Import/Export

* Production and Sale of Sterile Screwworms

Consolidate Animal Quarantine Statutes

Consolidate Plant Quarantine Statutes

Intrastate Animal Quarantine

* User Fees for Agricultural Quarantine Inspection & Veterinary Diagnostics

* Animal Disease Control Cooperation With Western Hemisphere Countries

FGIS

User Fees for Standardization and Quality Assurance Activities

ASCS

To Reform the Water Bank Program

Permanent Disaster Assistance

Farm Income and Price Support Programs

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*These items have been submitted to the Congress

FmHA

1990 Amendments to the Agricultural Credit Act

1990 Farmer Program Proposals

Making and Securing Housing Loans

* Community and Business Program Improvements

* Multi-Year Loan Certification

* Large Farm Emergency Loans

* Debt Settlement

* Amendments to the Agricultural Credit Act of 1987

* Reduce Grant Servicing

* Interest Calculation

* Uniform Interest Rate Calculation

* Equity Skimming

* Financial Contribution by States

* Reauthorization of the Housing Act

FNS

Comparability for Child Care Food Program Meal Reimbursements Rates

Food Stamp Act Reauthorization and Amendments of 1990

Extension of the Temporary Emergency Food Assistance Program (TEFAP) Including the Purchased Commodity Provision in Order to Provide Food Assistance to the Homeless

* Food Stamp Amendments of 1989

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*These items have been submitted to the Congress

FNS (continued)

Increase Participation Among Lower Income School Children in the National School Lunch Program by Enhanced Targeting of Benefits

Reauthorization of the Commodity Supplemental Food Program and the Food Distribution Program on Indian Reservations

HNIS

Clarification of USDA's Role in the Federal Government in Human Nutrition

FCIC

Restructure of the Federal Crop Insurance Program

FS

Vendor Fees for the Sale of Forest Product Permits and Maps

Permanent Challenge Cost-Share Authority

Red River in Kentucky - Wild & Scenic Rivers System

Little Big Horn River in Wyoming - Wild & Scenic River System

Recreation User Fee Test Authorization

America the Beautiful

* Amend Volunteers in National Forest Act

Authority to Require Purchaser Deposit for Timber Scaling

Lands Omnibus Bill

* Amend Bankhead-Jones Farm Tenant Act

* Acceptance of Contributions and Donations

Reauthorize the Alaska Land Use Council

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*These items have been submitted to the Congress

FS (continued)
Raise Authority for Force Account Construction

* Land and Water Conservation Fund Act of 1965 - Increase User Fees

Graduate School
Authorize Federal Agencies to Enter Into Interagency Agreements With the USDA Graduate School

NAL
Statutory Authorization for the National Agricultural Library

OO
Home-to-Work Use of Vehicles

Direct Leasing by USDA

REA
Reform REA Loan Programs

SCS
* Cost Sharing for Flood Control Projects, and Require Watershed Projects to be Directly Related to Agriculture and Rural Development

CSRS
Repeal of the Morrill-Nelson Permanent Appropriation for Higher Education

DEPARTMENTAL
* The Farm Bill

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*These items have been submitted to the Congress

Mr. **Whitten**. Mr. Myers?

FARMERS HOME ADMINISTRATION—LOAN GUARANTEE PROGRAM

Mr. **Myers**. Thanks, Mr. Chairman. I only have one question. I didn't quite understand the money you were requesting to buy down loans.

Could you expand a little further on what you're intending to do?

Mr. **Dewhurst**. Yes, sir. What the Administration is proposing is that $400 million in farm operating and ownership loans, and $297 million in housing loans be guaranteed loans made by private banks but with an interest buy down. One of the problems in making those guarantees has been that the interest rates have been too high for our kind of low income farmer borrowers. The Administration is proposing that the Government share part of the cost of that interest. The Government would pay for three, four, or five points of the interest rate. So the borrower would get his loan from the bank, but he wouldn't pay 10 or 12 percent for the loan, for example. He'd pay some figure less than that, and the Government would pick up the difference.

It's frankly an attempt to make the Guarantee Program more effective in meeting our borrowers' needs and to reduce the Government's costs, because that's still, in outlay terms, cheaper than a direct loan.

Mr. **Myers**. So it's just subsidized interest?

Mr. **Dewhurst**. Yes, sir. It's subsidized interest. That's what it is.

Mr. **Myers**. What I would call subsidized interest. The Government would still guarantee the loans?

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. That's for farm programs as well as housing?

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. Okay. Thank you.

Mr. **Whitten**. Mr. Natcher?

Mr. **Natcher**. No questions, Mr. Chairman.

Mr. **Whitten**. Mr. Akaka, questions?

Mr. **Akaka**. Thank you very much, Mr. Chairman.

FOOD STAMP PROGRAM

Mr. Dewhurst, you are very well respected. You seem to know all the figures about USDA, and what interests me is when you talked about the food stamp supplemental and said that you'd be three to five hundred million dollars short.

I guess this explains why in your proposed supplements, and I think this is a departure from what you have done before, you have asked for an appropriation for such sums as may be necessary, without putting the sum there.

This seems to be a dramatic change. Do you have any current estimate? You said $300 million to $500 million short. Is that about the total you expect to be short?

Mr. **Dewhurst**. Yes, sir. At this point, it's $300 to $500 million, Mr. Akaka. The problem is that the experts in the Food and Nutrition Service are trying to estimate food stamp participation based on changes in the unemployment level, and that model has not been working very well in the last couple of years. We know this year we have money to support about 18.9 million people in the program, and the average through the first four months of the year is already 19.4 million. So we know we're short, but it's hard to predict what will happen during the next seven or eight months, so they've predicted a range of roughly $300 million to $500 million.

Mr. **Akaka**. When do you expect to make such a proposal, I mean, in supplemental? Do you have a time frame?

Mr. **Dewhurst**. Well, the Administration included the open-ended supplemental in its official presentation, so as far as it's concerned, it's made.

Mr. **Akaka**. Also, in a food stamps request, you have a different approach for the food stamp, also. Your budget contains a request of $15.4 billion for food stamps.

Again, you have that, and I guess that's the same reason why you have it as such sums as may be necessary.

Mr. **Dewhurst**. It's the same problem. Yes, sir.

Mr. **Akaka**. Same problem. I see. Will there be supplemental funds? Have you made requests for other domestic feeding programs?

Mr. **Dewhurst**. No sir, not at this time.

Mr. **Akaka**. Looking at your figures here, would you require any changes in authorizing legislation before some of these figures can be implemented?

Mr. **Dewhurst**. Yes, we have a lot of legislation that expires. For instance; the Food Stamp Program expires, and the Temporary Emergency Feeding Program expires. The budget assumes, I think fairly, that the Congress will choose to reauthorize those programs, but, in fact, we would need those reauthorizations to support this budget.

Mr. **Akaka**. Well, may I finally make a request? I would like to ask you to give us an estimate of any budgetary impact of these changes that were not enacted.

I'm trying to get at those figures that would require authorization and, if you have, as you just mentioned, a few of the programs, if you can give me a list of whatever other programs that might be affected?

Mr. **Dewhurst**. Yes, sir, I'll be glad to do that. We have a complete list that's fairly lengthy this year.

Mr. **Akaka**. Thank you very much, Mr. Dewhurst.

Mr. **Whitten**. Mr. Skeen?

Mr. **Skeen**. Thank you, Mr. Chairman.

RESEARCH

Steve, good to see you again. I'd like to ask you, the Department has proposed $100 million for the National Research Initiative for Agriculture. Is this all new money, or is this coming from funding from other research projects within the Department?

Mr. **Dewhurst**. We would say it's all new money.

Mr. **Skeen**. Give me a definition.

Mr. **Dewhurst**. Well, you know, honest folks will differ on that question, and that's why I have——

Mr. **Skeen**. Let's be honest.

Mr. **Dewhurst**. In point of fact, there are reductions in the research budget, as you know, for things like special grants and research construction. We have $100 million for the Competitive Research Program, which we call the National Research Initiative.

Mr. **Skeen**. Yes, sir.

Mr. **Dewhurst**. Some will say that's all new money, because there would not have been money for those special grants or other things anyway; others will allege there was a trade off. Frankly, my honest view is that it's new money because I don't think we would have had those other things in the picture.

Mr. **Skeen**. If there had not been the program.

Mr. **Dewhurst**. Yes. But you can differ.

Mr. **Skeen**. So it's a philosophical difference, and, essentially, what you're saying is it is new money, and it would not have been there if it had not had the categories.

Mr. **Dewhurst**. Yes, sir. I believe that.

Mr. **Skeen**. Looking at the research budget, what was the total change? There's a loss from last year. Is that correct?

Mr. **Dewhurst**. In the Cooperative State Research Service, there's a reduction of $35.9 million. In the Agricultural Research Service, our in-house research agency, there's actually an increase.

Mr. **Skeen**. An increase. So in the total sense we're just about played off.

Mr. **Dewhurst**. Yes, sir.

USER FEES

Mr. **Skeen**. It stayed right about where it was. Do we have any new user fees being proposed by the Department?

Mr. **Dewhurst**. There are some legislative proposals for new user fees, none incorporated in the numbers you have before you in this committee. Some of them are repeats of things that have been proposed in prior years. You can see that on the last page of this table. There are fees in the Animal and Plant—

Mr. **Skeen**. Are there changes?

Mr. **Dewhurst**. Yes, sir. The last page, the fifth page in the table, you can see that there are proposals for user fees in the Animal and Plant Health Inspection Service. That's the one that was made last year for the Agricultural Quarantine Inspection Program, for the services of watching incoming passengers at airports for plant pests and so forth.

There are proposals to expand user fees in the Federal Grain Inspection Service, and in the Agricultural Marketing Service; largely for standardization activities.

I guess that's essentially it on user fees.

PROPOSED LEGISLATION

Mr. **Skeen**. You discussed some proposed legislation, and I'd like to pose this question to you. How does the Department allocate funds after an appropriation bill has been finalized and then legislation has subsequently passed that mandates some additional spending? How do you provide for that?

Mr. **Dewhurst**. Well, I'm not sure. I'm trying to think how that would work. Normally, of course, legislation cannot mandate spending in an appropriated program above the appropriations level. If you provide an appropriations bill, let's say, a million dollars for a given activity, and we've broken it up for you so you think you know how it's going to be spent, and then the Congress passes a law and forces us to spend it in a different way, we would want to come back to the committees and tell you how that law works and what the changes might be.

Mr. Skeen. You want to come back and explain it to us?

Mr. Dewhurst. That would be what I would want to do, yes, sir.

Mr. Skeen. Well, we've done it in the past, I think, in the case of animal damage control. In some of those areas, we've passed legislation that mandates additional spending within that budget year.

Mr. Dewhurst. Sometimes you have to ask for more money, or sometimes, in effect, it forces a reprogramming.

Mr. Skeen. A reprogramming?

Mr. Dewhurst. That is what we have to come back to the committees with. That's the way we're supposed to operate.

Mr. Skeen. But normally you'd come back and ask for additional funding?

Mr. Dewhurst. Yes, sir. Absolutely.

Mr. Skeen. Thank you. Thank you, Mr. Chairman.

Mr. Whitten. Mr. Smith?

FOOD SAFETY AND INSPECTION

Mr. Smith. Under Food Safety and Inspection Service (FSIS), your figures indicate that in slaughter inspection the sequester reduction is $3.429 million. How are you going to reduce costs in that program?

Mr. Dewhurst. Well, we're looking at that, and to be truthful about it, the FSIS owes me a report on that. They got hit harder by the sequester than practically any other agency in the Department, and they have been looking at ways to cut costs. Whether that will affect their personnel levels or their operations, I don't know at this point.

Mr. Smith. Are you going to have a supplemental or a reprogramming on that?

Mr. Dewhurst. They haven't come and told me the dimensions of the problem, so I cannot honestly answer that.

Mr. Smith. Well, the truth of the matter is that program should have been one in the long list that were exempt from sequester.

I mean, it's the type of program that you can't reduce. I mean, you can shut down the line at 4:00 instead of 4:30, because there is going to be more work there the next day.

Mr. Dewhurst. Yes, sir. That's been a constant problem with all the different sequesters we've had; the FSIS has a very difficult time dealing with them.

CONSERVATION RESERVE

Mr. Smith. Your figures on conservation reserve, did I understand from what you said that it's based on the assumption that there will be 40 million acres by the end of the fiscal year?

Mr. Dewhurst. Yes, sir. That is true.

Mr. Smith. How many million acres are in now?

Mr. DEWHURST. About 34.

Mr. SMITH. When is the next sign-up? You don't know that, do you?

Mr. DEWHURST. No, sir, I don't.

Mr. SMITH. Do you expect to get six million, or is this just a figure you put in the budget because the law says you're going to have 40 million?

Mr. DEWHURST. We budgeted to meet the law. Time will tell, I suppose.

RURAL DEVELOPMENT

Mr. SMITH. Under rural development, we've been hearing the Governors have been having meetings and talking about rural development, and Members of Congress introduced bills around here for rural development programs. If I'm not mistaken, even the President made some statement about rural development.

But you've got a reduction in rural development fund requests of 32 percent, reducing it from $520 million down to $350 million. How does that happen? Can you explain that?

Mr. DEWHURST. I'm sorry. I guess I'm looking at the wrong——

Mr. SMITH. Well, under FmHA water and waste disposal loans and business and industrial loans you show cuts in funding dont you?-That's under rural development programs isn't it?

Mr. DEWHURST. Yes, I'm sorry. I had not calculated the percentage, but those programs are reduced. I suppose the other side is that there is some money in the budget for those programs.

I'm not here to tell you that there is some magic reason for that other than to say that he did everything he could with the budget that he had.

Mr. SMITH. Well, it seems to me that if everybody is going to talk about rural development, we don't need new laws. What we need to do is fund the ones that we already have.

But I bring out for the record that there is a 32 percent reduction in rural development funding for the programs we already have, and they weren't funded at 100 percent of authorization, either, were they?

Mr. DEWHURST. No, sir. Most of them are not.

Mr. SMITH. That's all I have, Mr. Chairman.

Mr. WHITTEN. Any further questions?

[No response.]

Mr. WHITTEN. Mr. Dewhurst, thank you again. As I say, we will get into these items as we get the particular agency before us.

Again, we appreciate your appearance and your forthrightness. Thank you very much.

Mr. DEWHURST. Thank you, sir.

TABLES

Mr. WHITTEN. At this point in the record, would you please insert the various tables and charts which have been included in the hearing record in the past?

[The tables and charts follow:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 1--New Budget (Obligational) Authority by Appropriation
1989 Actual, 1990 Estimate and 1991 Estimate

NOTE: Amounts for 1989 have been adjusted for comparability with the appropriation structure proposed in the 1991 Estimates. (Amounts in parentheses are not included in totals.)
(Dollars in Thousands)

Agency or Item	1989 Actual	1990 Estimate	1991 Estimate
Office of the Secretary	6,403	7,294	7,786
Departmental Administration	21,533	22,022	23,355
Hazardous Waste Management	5,000	19,927	29,586
Advisory Committees	1,494	1,494	1,407
Working Capital Fund	4,708	0	3,750
Rental Payments and Building Operations	70,661	72,027	74,398
Office of Public Affairs	8,409	8,493	8,882
Office of the Inspector General	50,510	51,779	57,630
Office of Budget and Program Analysis	4,389	4,522	4,971
Office of the General Counsel	20,836	21,525	23,517
Agricultural Research Service	563,381	585,923	623,510
Buildings and Facilities	17,044	10,675	32,600
Total, ARS	580,425	596,598	656,110
Cooperative State Research Service	338,067	382,776	346,893
Extension Service	361,370	369,180	345,676
National Agricultural Library	14,268	14,676	15,773
Economic Research Service	49,336	50,689	56,262
National Agricultural Statistics Service	63,588	66,876	81,151
World Agricultural Outlook Board	1,820	1,910	2,404
Animal and Plant Health Inspection Service:			
Salaries and Expenses	331,207	347,366	367,950
Buildings and Facilities	2,546	13,608	25,396
Total, APHIS	333,753	360,974	393,346
Agricultural Marketing Service:			
Marketing Services	33,373	33,171	52,251
Payments to States and Possessions	942	1,236	942
Total, AMS	34,315	34,407	53,193
Food Safety and Inspection Service	404,954	416,898	440,882
Federal Grain Inspection Service	8,115	8,185	10,443
Agricultural Cooperative Service	4,655	4,714	4,764
Office of Transportation	2,397	2,397	2,429
Packers and Stockyards Administration	9,562	9,562	10,687
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses	381	110	0
Transfer from Commodity Credit Corporation	(618,975)	(623,732)	(630,406)
Total, Salaries and Expenses	(619,356)	(623,842)	(630,406)
Dairy Indemnity Program	5	5	0
Agricultural Conservation Program	176,935	182,369	176,000
Emergency Conservation Program	5,000	9,927	0
Forestry Incentives Program	12,446	12,446	12,446
Conservation Reserve Program	1,789,000	1,010,978	1,878,038
Transfer to SCS, Conservation Operations	-61,461	0	0
Total, Conservation Reserve Program	1,727,539	1,010,978	1,878,038
Colorado River Basin Salinity Control Program	5,452	10,341	14,783
Water Bank Program	9,000	12,240	10,498
Total, ASCS	1,936,758	1,238,416	2,091,765

Agency or Item	1989 Actual	1990 Estimate	1991 Estimate
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses	201,992	222,694	314,429
Federal Crop Insurance Corporation Fund	112,000	162,939	286,693
Total, FCIC	313,992	385,633	601,122
Commodity Credit Corporation:			
Export Credit Guarantees	(3,217,734)	(5,500,000)	(5,500,000)
Reimbursement for Net Realized Losses	8,828,286	4,233,000	6,100,000
Portion Applied to Debt Reduction and Portion Applied to Liquidate Contract Authority	-8,828,286	-4,233,000	-6,100,000
Total, CCC	0	0	0
Farmers Home Administration:			
Rural Housing Insurance Fund:			
Reimbursement for Losses	3,660,061	2,677,897	3,029,646
Reimbursement for Rural Rental Assistance Payments	177,357	212,468	253,496
Loan Levels:			
Insured Loans	(1,844,978)	(1,905,730)	(1,621,350)
Rural Rental Assistance Payments, RHIF	(290,310)	(296,317)	(258,000)
Total, RHIF	3,837,418	2,890,365	3,283,142
Agricultural Credit Insurance Fund:			
Reimbursement for Losses	3,470,596	4,123,615	6,049,583
Loan Levels:			
Real Estate Loans	(563,500)	(807,259)	(188,500)
Operating Loans	(1,735,192)	(3,248,455)	(3,100,000)
Soil Conservation Loans	(0)	(4,600)	(0)
Emergency Loans (Disaster)	(530,000)	(600,000)	(25,000)
Interest Buy Down	(15,376)	(50,000)	(50,000)
Total, ACIF	3,470,596	4,123,615	6,049,583
Rural Development Insurance Fund:			
Reimbursement for Losses	1,607,047	1,474,499	1,666,160
Transfer to Rural Development Loan Fund	-11,000	0	0
Loan Levels:			
Water and Sewer Facility Loans	(332,880)	(424,758)	(350,000)
Industrial Development Loans (Guaranteed)	(99,122)	(165,018)	(70,000)
Community Facility Loans	(95,700)	(118,210)	(95,700)
Total, RDIF	1,596,047	1,474,499	1,666,160
Self-Help Housing Land Development Fund (Loans)	(500)	(500)	(0)
Rural Development Loan Fund	0	17,318	28,000
Transfer from Rural Development Insurance Fund	11,000	0	0
Loans	(14,000)	(19,297)	(30,000)
Total, Rural Development Loan Fund	11,000	17,318	28,000
Rural Water and Waste Disposal Grants	116,895	207,700	100,000
Rural Development Grant Program	6,500	16,406	0
Very Low-Income Housing Repair Grants	12,500	12,500	10,000
Rural Housing Preservation Grants	19,140	19,140	15,000
Rural Housing for Domestic Farm Labor	9,513	10,862	10,000
Mutual and Self-Help Housing	8,000	8,634	0
Rural Community Fire Protection Grants	3,091	3,091	0
Rural Housing Voucher Program	0	0	189,928
Compensation for Construction Defects	500	500	0
Salaries and Expenses	419,517	427,534	451,787
Transfer from Loan Accounts	-4,000	-4,000	-4,000
Total, Salaries and Expenses	415,517	423,534	447,787
Total, FmHA	9,506,717	9,208,164	11,799,600

Agency or Item	1989 Actual	1990 Estimate	1991 Estimate
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund:			
Electrification Program:			
Insured Loans	(622,050)	(622,050)	(200,000)
Loan Guarantee Commitments	(813,450)	(813,450)	(0)
Total, Electrification Program	(1,435,500)	(1,435,500)	(200,000)
Telephone Program:			
Insured Loans	(239,250)	(239,250)	(0)
Loan Guarantee Commitments	(119,265)	(119,625)	(0)
Total, Telephone Program	(358,515)	(358,875)	(0)
Total, RETRF	(1,794,015)	(1,794,375)	(200,000)
Rural Telephone Bank:			
Purchase of Capital Stock	28,710	28,710	0
Loan Level	(177,045)	(177,045)	(125,000)
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	341,000	240,757	0
Rural Communication Development Fund	1,447	1,329	1,264
Rural Economic Development Subaccount	540	4,992	0
Salaries and Expenses	31,284	31,318	33,055
Total, REA	402,981	307,106	34,319
Soil Conservation Service:			
Conservation Operations	403,974	477,109	506,998
Transfer from Conservation Reserve Program	61,461	0	0
Total, Conservation Operations	465,435	477,109	506,998
River Basin Surveys and Investigations	12,051	12,292	10,351
Watershed Planning	8,651	8,824	6,875
Watershed and Flood Prevention Operations	172,373	180,867	151,112
Resource Conservation and Development	25,120	27,255	24,862
Great Plains Conservation Program	20,474	20,884	24,637
Total, SCS	704,104	727,231	724,835
Food and Nutrition Service:			
Child Nutrition Programs	497,544	730,882	473,575
Transfer from Section 32	(4,093,272)	(4,156,554)	(4,632,259)
Total, Child Nutrition Programs	(4,590,816)	(4,887,436)	(5,105,834)
Special Milk Program	19,925	20,309	19,268
Food Donations Programs for Selected Groups	289,147	308,090	319,670
Special Supplemental Feeding Program for Women, Infants, and Children (WIC)	1,929,362	2,125,958	2,215,248
Food Stamp Program	13,823,579	15,706,339	15,976,681
Temporary Emergency Food Assistance Program	170,000	169,395	170,000
Food Program Administration	89,223	91,727	96,778
Total, FNS	16,818,780	19,152,700	19,271,220
Human Nutrition Information Service	8,823	9,031	10,705
Foreign Agricultural Service	95,417	101,343	103,548
The General Sales Manager:			
Transfer from CCC	(7,560)	(7,415)	(8,090)
Office of International Cooperation and Development:			
Salaries and Expenses	5,319	6,041	4,893
Scientific Activities Overseas, Foreign Currency Program	1,000	875	0
Total, OICD	6,319	6,916	4,893
Public Law 480:			
Titles I and III	399,100	305,622	251,853
Title II	699,000	672,599	646,000
Total, Public Law 480	1,098,100	978,221	897,853
Total, Direct Appropriations, Agricultural Bill	33,292,559	34,643,686	38,195,155

Agency or Item	1989 Actual	1990 Estimate	1991 Estimate
Forest Service:			
Forest Research	138,267	145,175	148,672
State and Private Forestry	86,668	104,248	56,617
National Forest System	1,594,122	1,136,666	1,211,543
Forest Service Fire Fighting	0	555,004	297,849
Construction	225,518	221,960	222,906
Land Acquisition	64,205	63,433	63,486
Acquisition of Lands for National Forests, Special Acts.	966	1,054	1,103
Acquisition of Lands to Complete Land Exchanges	325	1,065	1,105
Range Betterment Fund	3,946	4,643	4,578
Timber Receipts	97,505	0	0
Timber Roads, Purchaser Election, Forest Service	-40,000	0	0
Other Appropriations	35,999	0	0
Operation and Maintenance of Recreation Facilities	0	0	9,084
Miscellaneous Contributed Funds	2	30	30
Total, Forest Service	2,207,523	2,233,278	2,016,973
Total, Direct Appropriations, USDA	35,500,082	36,876,964	40,212,128
PERMANENT APPROPRIATIONS--FEDERAL FUNDS:			
Cooperative State Research Service	2,850	2,810	2,850
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act Fund	5,569	5,675	5,675
Funds for Strengthening Markets, Income and Supply (Section 32)	405,873	581,020	373,984
Commodity Credit Corporation:			
National Wool Act	4,527	93,485	121,316
Borrowing Authority	12,241,635	9,139,283	13,084,435
Farmers Home Administration:			
Agricultural Credit Insurance Fund	2,846,899	1,751,057	0
Rural Housing Insurance Fund	1,000,000	2,120,763	633,862
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund	179,784	957,726	0
Rural Telephone Bank	77,355	71,082	42,666
Food and Nutrition Service	4,093,272	4,156,554	4,632,259
Total, Permanent Appropriations (Excluding FS)	20,857,764	18,879,455	18,897,047
Forest Service	572,682	550,889	519,681
Total, Permanent Appropriations, Federal Funds	21,430,446	19,430,344	19,416,728
PERMANENT APPROPRIATIONS--TRUST FUNDS:			
Office of the Secretary	2,095	2,633	2,500
Agricultural Research Service	6,004	5,000	5,000
Economic Research Service	293	200	200
National Agricultural Statistics Service	203	200	200
Animal and Plant Health Inspection Service	5,579	5,000	5,000
Food Safety and Inspection Service	1,116	1,150	1,200
Agricultural Marketing Service	85,567	87,689	87,689
Soil Conservation Service	235	560	560
Office of International Cooperation and Development	3,817	3,935	3,935
Total, Permanent Approp., Trust Funds (Excluding FS)	104,909	106,367	106,284
Forest Service	325,435	345,117	359,502
Total, Permanent Appropriations, Trust Funds	430,344	451,484	465,786
Total, Permanent Appropriations	21,860,790	19,881,828	19,882,514
Subtotal, USDA, Existing Legislation	57,360,872	56,758,792	60,094,642
OFFSETTING RECEIPTS	-1,627,621	-1,594,149	-1,589,540
Total, USDA, Existing Legislation	55,733,251	55,164,643	58,505,102

Agency or Item	1989 Actual	1990 Estimate	1991 Estimate
PROPOSED LEGISLATION:			
Cooperative State Research Service	0	0	-2,850
Animal and Plant Health Inspection Service:			
Salaries and Expenses	0	0	-78,938
Federal Grain Inspection Service	0	0	-5,697
Agricultural Marketing Service:			
Marketing Services	0	0	-4,431
Agricultural Stabilization and Conservation Service:			
Water Bank Program	0	0	2,295
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses	0	0	-241,576
Federal Crop Insurance Corporation	0	0	-286,693
Commodity Credit Corporation:			
Authority to Borrow	0	0	-1,750,000
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund:			
Private Sector Loan Guarantees	(0)	(0)	(1,100,000)
Rural Telephone Bank	0	0	-2,521
Loan Guarantee Commitments	(0)	(0)	(200,000)
Food and Nutrition Service:			
Food Stamp Program	0	0	-70,000
Child Nutrition Program	0	-23,398	-462,264
Forest Service	0	0	207,916
Total, Proposed Legislation	0	-23,398	-2,694,759
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE	55,733,251	55,141,245	55,810,343

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 2--Reconciliation between 1990 Appropriations as shown in Appropriations Act and 1990 Estimate to Reflect Comparability with the 1991 Budget
(Dollars in Thousands)

Agency or Item	1990 Appropriations	Adjustments		1990 Estimate
		Sequester: Amount	Other Adjustments	
Office of the Secretary	1,789	-23	5,528	7,294
Special Studies	800	-10	-790	0
Office of the Deputy Secretary	397	-5	-392	0
Office of the Assistant Secretary for Administration	470	-6	-464	0
Office of the Assistant Secretary for Governmental and Public Affairs	414	-5	-409	0
Office of the Assistant Secretary for Economics	454	-6	-448	0
Office of the Assistant Secretary for Science and Education	438	-6	-432	0
Office of the Assistant Secretary for Marketing and Inspection Services	427	-5	-422	0
Office of the Under Secretary for International Affairs and Commodity Programs	419	-5	-414	0
Office of the Assistant Secretary for Small Community and Rural Development	424	-5	-419	0
Office of the Assistant Secretary for Natural Resources and Environment	445	-6	-439	0
Office of the Assistant Secretary for Food and Consumer Services	412	-5	-407	0
Total, Office of the Secretary	6,889	-87	492	7,294
Departmental Administration	22,022	0	0	22,022
Hazardous Waste	20,000	-73	0	19,927
Advisory Committees	1,494	0	0	1,494
Rental Payments and Building Operations	0	0	72,027	72,027
Rental Payments	49,467	-160	-49,307	0
Building Operations and Maintenance	23,033	-43	-22,990	0
Office of Public Affairs	7,964	0	529	8,493
Office of Congressional Affairs	542	0	-542	0
Office of Intergovernmental Affairs	479	0	-479	0
Office of the Inspector General	52,053	-274	0	51,779
Office of Budget and Program Analysis	4,554	-32	0	4,522
Office of the General Counsel	21,828	-303	0	21,525
Agricultural Research Service:				
Salaries and Expenses	594,339	-8,193	-223	585,923
Buildings and Facilities	10,675	0	0	10,675
Total, Agricultural Research Service	605,014	-8,193	-223	596,598
Cooperative State Research Service	387,680	-4,904	0	382,776
Extension Service	371,957	-2,777	0	369,180
National Agricultural Library	14,883	-207	0	14,676
Economic Research Service	51,102	-513	100	50,689
National Agricultural Statistics Service	67,901	-925	-100	66,876
World Agricultural Outlook Board	1,936	-26	0	1,910
Animal and Plant Health Inspection Service:				
Salaries and Expenses	352,182	-4,816	0	347,366
Buildings and Facilities	13,422	-37	223	13,608
Total, Animal and Plant Health Inspection Service	365,604	-4,853	223	360,974
Agricultural Marketing Service:				
Marketing Services	33,171	0	0	33,171
Payments to States and Possessions	1,250	-14	0	1,236
Total, Agricultural Marketing Service	34,421	-14	0	34,407

Agency or Item	1990 Appropriations	Adjustments		1990 Estimate
		Sequester Amount	Other Adjustments	
Food Safety and Inspection Service	422,799	-5,901	0	416,898
Federal Grain Inspection Service	8,185	0	0	8,185
Agricultural Cooperative Service	4,714	0	0	4,714
Office of Transportation	2,397	0	0	2,397
Packers and Stockyards Administration	9,562	0	0	9,562
Agricultural Stabilization and Conservation Service:				
Salaries and Expenses	(632,588)	(8,856)	110	(623,842)
Dairy Indemnity Program	5	0	0	5
Agricultural Conservation Program	184,935	-2,566	0	182,369
Emergency Conservation Program	10,000	-73	0	9,927
Forestry Incentives Program	12,446	0	0	12,446
Conservation Reserve Program	1,010,978	0	0	1,010,978
Colorado River Basin Salinity Control Program	10,420	-79	0	10,341
Water Bank Program	12,371	-131	0	12,240
Total, Agricultural Stabilization and Conservation Service	1,241,155	-2,849	110	1,238,416
Federal Crop Insurance Corporation:				
Administrative and Operating Expenses	225,626	-2,932	0	222,694
Federal Crop Insurance Corporation Fund	162,939	0	0	162,939
Total, Federal Crop Insurance Corporation	388,565	-2,932	0	385,633
Commodity Credit Corporation:				
Reimbursement for Net Realized Losses	4,233,000	0	0	4,233,000
Portion Applied to Debt Reduction	-4,233,000	0	0	-4,233,000
Export Credit Programs	(5,500,000)	0	(0)	(5,500,000)
Farmers Home Administration:				
Rural Housing Insurance Fund:				
Reimbursement for Losses	2,677,897	0	0	2,677,897
Reimbursement for Rural Rental Assistance Payments	212,468	0	0	212,468
Total, Rural Housing Insurance Fund	2,890,365	0	0	2,890,365
Rural Rental Assistance Payments	(300,310)	(3,993)	(0)	(296,317)
Loan Levels:				
Insured Loans	(1,932,490)	(26,760)	(0)	(1,905,730)
Agricultural Credit Insurance Fund:				
Reimbursement for Losses	4,120,159	0	3,456	4,123,615
Grants for State Mediation Programs	3,500	-44	-3,456	0
Total, Agricultural Credit Insurance Fund	4,123,659	-44	0	4,123,615
Loan Levels:				
Direct Loans	(1,591,100)	(20,864)	(0)	(1,570,236)
Guaranteed Loans	(3,077,000)	(40,256)	(0)	(3,036,744)
Rural Development Insurance Fund:				
Reimbursement for Losses	1,474,499	0	0	1,474,499
Loan Levels:				
Direct Loans	(450,890)	(6,216)	(0)	(444,674)
Guaranteed Loans	(194,700)	(1,388)	(0)	(193,312)
Self-Help Housing Land Development Fund (Loans)	(500)	(0)	(0)	(500)
Rural Development Loan Fund	17,500	-182	0	17,318
Loans	(19,500)	(203)	(0)	(19,297)
Rural Water and Waste Disposal Grants	209,395	-1,695	0	207,700
Rural Development/Industrial Grants	16,500	-94	0	16,406
Very Low-Income Housing Repair Grants	12,500	0	0	12,500
Rural Housing Preservation Grants	19,140	0	0	19,140
Rural Housing for Domestic Farm Labor	11,000	-138	0	10,862
Mutual and Self-Help Housing	8,750	-116	0	8,634
Rural Community Fire Protection Grants	3,091	0	0	3,091
Compensation for Construction Defects	500	0	0	500
Salaries and Expenses	422,934	0	600	423,534
Office of the Administrator	600	0	-600	0
Total, Farmers Home Administration	9,210,433	-2,269	0	9,208,164

Agency or Item	1990 Appropriations	Adjustments		1990 Estimate
		Sequester: Amount	Other Adjustments	
Rural Electrification Administration:				
Rural Electrification and Telephone Revolving Fund:				
Loans	(1,794,375)	(0)	(0)	(1,794,375)
Reimbursement for Interest Subsidies and Losses	244,100	-3,343	0	240,757
Rural Telephone Bank:				
Loans	(177,045)	(0)	(0)	(177,045)
Purchase of Capital Stock	28,710	0	0	28,710
Rural Communication Development Fund	1,329	0	0	1,329
Rural Economic Development Subaccount	5,000	-8	0	4,992
Salaries and Expenses	31,124	0	194	31,318
Office of the Administrator	194	0	-194	0
Total, Rural Electrification Administration	310,457	-3,351	0	307,106
Soil Conservation Service:				
Conservation Operations	481,000	-4,051	160	477,109
River Basin Surveys and Investigations	12,292	0	0	12,292
Watershed Planning	8,824	0	0	8,824
Watershed and Flood Prevention Operations	182,373	-2,506	1,000	180,867
Resource Conservation and Development	27,620	-365	0	27,255
Great Plains Conservation Program	20,884	0	0	20,884
Total, Soil Conservation Service	732,993	-6,922	1,160	727,231
Food and Nutrition Service:				
Child Nutrition Programs	730,940	-58	0	730,882
Special Milk Program	20,449	-140	0	20,309
Food Donations Programs for Selected Groups	0	0	308,090	308,090
Cash and Commodities for Selected Groups	246,510	-3,448	-243,062	0
Commodity Supplemental Food Program	65,028	0	-65,028	0
Special Supplemental Food Program for Women, Infants, and Children (WIC)	2,126,000	-42	0	2,125,958
Food Stamp Program	14,770,346	-757	936,750	15,706,339
Nutrition Assistance for Puerto Rico	936,750	0	-936,750	0
Temporary Emergency Food Assistance Program	170,000	-605	0	169,395
Food Program Administration	93,026	-1,299	0	91,727
Total, Food and Nutrition Service	19,159,049	-6,349	0	19,152,700
Human Nutrition Information Service	9,145	-114	0	9,031
Foreign Agricultural Service	102,729	-1,386	0	101,343
The General Sales Manager	(7,415)	(0)	(0)	(7,415)
Office of International Cooperation and Development:				
Salaries and Expenses	6,118	-77	0	6,041
Scientific Activities Overseas	875	0	0	875
Total Office of International Cooperation and Development	6,993	-77	0	6,916
Public Law 480:				
Titles I and III	309,900	-4,278	0	305,622
Titles II	682,100	-9,501	0	672,599
Total, Public Law 480	992,000	-13,779	0	978,221
Subtotal, Agricultural Bill Appropriations	34,711,999	-69,313	1,000	34,643,686

Agency or Item	1990 Appropriations	Adjustments: Sequester Amount	Adjustments: Other Adjustments	1990 Estimate
Forest Service:				
Forest Research	147,182	-2,007	0	145,175
State and Private Forestry	105,506	-1,258	0	104,248
National Forest System	1,149,232	-12,566	0	1,136,666
Forest Service Firefighting	561,139	-6,135	0	555,004
Construction	221,960	0	0	221,960
Land Acquisition	63,433	0	0	63,433
Other Funds	6,868	-76	0	6,792
Total, Forest Service	2,255,320	-22,042	0	2,233,278
Total, Direct Appropriation for USDA	36,967,319	-91,355	1,000	36,876,964
Permanent Appropriations, Federal Funds:				
Other than Forest Service	18,879,455	0	0	18,879,455
Forest Service	550,889	0	0	550,889
Total, Permanent Appropriations, Federal Funds	19,430,344		0	19,430,344
Permanent Appropriations, Trust Funds:				
Other than Forest Service	106,367	0	0	106,367
Forest Service	345,117	0	0	345,117
Total, Permanent Appropriations, Trust Funds	451,484		0	451,484
Offsetting Receipts	-1,594,149	0	0	-1,594,149
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE, Existing Legislation	55,254,998	-91,355	1,000	55,164,643

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 3--Statement of Increases and Decreases in Budget Authority, 1991 Estimate Compared with 1990 Estimate (Dollars in Thousands)

Agency or Item	1990 Adjusted Base	1991 Request	Change
OFFICE OF THE SECRETARY:			
Program and Policy Direction and Coordination:			
Office of the Secretary/Deputy Secretary......	2,110	2,420	310
Under/Assistant Secretaries..................	4,394	5,366	972
Studies	790	0	-790
TOTAL, Office of the Secretary.............	7,294	7,786	492
DEPARTMENTAL ADMINISTRATION:			
Personnel....................................	6,032	6,517	485
Finance and Management.......................	3,921	4,093	172
Operations...................................	2,728	2,956	228
Information Resources Management.............	4,901	5,027	126
Advocacy and Enterprise......................	3,113	3,351	238
Administrative Law Judges and Judicial Officer..	1,325	1,361	36
National Communication System................	2	50	48
TOTAL, Departmental Administration...........	22,022	23,355	1,333
HAZARDOUS WASTE MANAGEMENT....................	19,927	29,586	9,659
WORKING CAPITAL FUND..........................	0	3,750	3,750
RENTAL PAYMENTS AND BUILDING OPERATIONS:			
Rental Payments..............................	49,037	49,305	268
Building Operations..........................	22,990	25,093	2,103
TOTAL, Rental Payments and Building Operations	72,027	74,398	2,371
ADVISORY COMMITTEES...........................	1,494	1,407	-87
OFFICE OF PUBLIC AFFAIRS:			
Public Affairs...............................	8,072	8,442	370
Intergovernmental Affairs....................	421	440	19
TOTAL, Office of Public Affairs..............	8,493	8,882	389
OFFICE OF THE INSPECTOR GENERAL:			
Audits and Investigations....................	51,779	57,630	5,851
OFFICE OF BUDGET AND PROGRAM ANALYSIS.........	4,522	4,971	449
OFFICE OF THE GENERAL COUNSEL:			
Legal Services...............................	21,525	23,517	1,992
AGRICULTURAL RESEARCH SERVICE:			
Research on Soil and Water Conservation.......	73,565	89,043	15,478
Research on Plant Sciences...................	216,589	229,752	13,163
Research on Animal Sciences..................	99,833	104,120	4,287
Research on Commodity Conversion and Delivery...	110,113	122,048	11,935
Human Nutrition Research.....................	47,873	48,027	154
Integration of Agricultural Systems..........	12,108	12,228	120
Repair and Maintenance of Facilities.........	24,914	17,364	-7,550
Contingencies................................	928	928	0
Subtotal, Agricultural Research Service.......	585,923	623,510	37,587
Buildings and Facilities:			
U.S. Salinity Laboratory, Riverside, Calif....	2,000	0	-2,000
National Seed Storage Laboratory, Fort Collins, Colorado......................	5,500	4,000	-1,500
Poultry Disease Laboratory, Athens, Georgia...	0	2,500	2,500
South Central Agricultural Research Center, Lane, Oklahoma...........................	150	0	-150
Modernization of Facilities, ARS Beltsville Agricultural Research Center, Beltsville, Md.	0	16,000	16,000
U.S. Fruit and Vegetable Laboratory, Yakima, Washington..........................	1,000	10,100	9,100
Northwest Small Fruit Center..................	50	0	-50
Bee Lab at Waslaco, Texas.....................	340	0	-340

Agency or Item	1990 Adjusted Base	1991 Request	Change
AGRICULTURAL RESEARCH SERVICE (Cont'd):			
Buildings and Facilities (Cont'd):			
U.S. Vegetables Lab at Charleston, S. Car	1,135	0	-1,135
Plant Stress and Water Conservation Lab Lubbock, Texas	500	0	-500
Total, Buildings and Facilities, ARS	10,675	32,600	21,925
TOTAL, Agricultural Research Service	596,598	656,110	59,512
COOPERATIVE STATE RESEARCH SERVICE:			
Payments under the Hatch Act	155,058	158,545	3,487
Cooperative Forestry Research	17,279	12,975	-4,304
Payments to 1890 Colleges and Tuskegee University	25,012	26,169	1,157
Special Research Grants	73,127	30,965	-42,162
Competitive Research Grants	42,521	100,000	57,479
Animal Health and Disease Research, Section 1433	5,407	0	-5,407
Federal Administration (Direct Appropriation)	13,336	12,239	-1,097
Higher Education	5,928	6,000	72
Subtotal, Cooperative State Research Service	337,668	346,893	9,225
Buildings and Facilities	45,108	0	-45,108
TOTAL, Cooperative State Research Service	382,776	346,893	-35,883
EXTENSION SERVICE:			
Smith-Lever Sections 3b&c	242,272	246,535	4,263
Smith-Lever Section 3d:			
Food Safety	0	2,000	2,000
Youth at Risk	0	10,000	10,000
Water Quality	5,211	15,500	10,289
Food and Nutrition Education	58,197	21,600	-36,597
Pest Management	7,110	7,164	54
Farm Safety	963	0	-963
Pesticide Impact Assessment	2,561	3,580	1,019
Urban Gardening	3,474	0	-3,474
Financial Management	1,416	0	-1,416
Rural Development Centers	943	0	-943
Renewable Resource Extension Act	2,744	0	-2,744
D. C. Extension	946	1,000	54
Disadvantaged Farmer Assistance Grants	3,325	0	-3,325
1890 Colleges and Tuskegee University	21,836	23,092	1,256
1890's Facilities	9,437	9,508	71
Federal Administration and Coordination	8,745	5,697	-3,048
TOTAL, Extension Service	369,180	345,676	-23,504
NATIONAL AGRICULTURAL LIBRARY:			
Library Materials	1,298	2,204	906
Networking	76	328	252
Agricultural Law Library	385	0	-385
All Other	12,917	13,241	324
TOTAL, National Agricultural Library	14,676	15,773	1,097
ECONOMIC RESEARCH SERVICE:			
Economic Analysis and Research	50,689	56,262	5,573
NATIONAL AGRICULTURAL STATISTICS SERVICE:			
Agricultural Labor Data	2,480	4,330	1,850
Improved Sampling Frame for Agriculture	4,068	6,468	2,400
Improved Data for Food Safety	0	7,000	7,000
All Other	60,328	63,353	3,025
TOTAL, National Agricultural Statistics Service	66,876	81,151	14,275
WORLD AGRICULTURAL OUTLOOK BOARD:			
Agricultural Outlook and Situation	1,910	2,404	494
ANIMAL AND PLANT HEALTH INSPECTION SERVICE:			
Agricultural Quarantine Inspection	64,615	74,969	10,354
Boll Weevil	12,841	9,816	-3,025

Agency or Item	1990 Adjusted Base	1991 Request	Change
ANIMAL AND PLANT HEALTH INSPECTION SERVICE (Cont'd):			
Grasshopper/Mormon Cricket	8,517	6,078	-2,439
Imported Fire Ant	4,232	1,552	-2,680
Medfly	9,729	10,431	702
Noxious Weeds	842	589	-253
Pink Bollworm	1,302	1,010	-292
Russian Wheat Aphid	898	0	-898
Witchweed	4,857	5,144	287
Pseudorabies	3,292	3,075	-217
Scrapie Eradication	1,085	0	-1,085
Brucellosis Eradication	61,927	64,553	2,626
Screwworm	31,607	33,391	1,784
Biotechnology	4,685	6,518	1,833
Animal Damage Control	29,407	32,051	2,644
Contingency Fund	4,443	4,500	57
Animal Welfare	7,464	8,688	1,224
All Other	95,623	105,585	9,962
Subtotal, Animal and Plant Health Inspection Service	347,366	367,950	20,584
Buildings and Facilities	13,608	25,396	11,788
TOTAL, Animal and Plant Health Inspection Service	360,974	393,346	32,372
FOOD SAFETY AND INSPECTION SERVICE:			
Slaughter Inspection	242,272	257,115	14,843
Processing Inspection	103,142	108,561	5,419
Import-Export Inspection	10,481	10,946	465
Laboratory Services	24,429	25,738	1,309
Grants-to-States	36,574	38,522	1,948
TOTAL, Food Safety and Inspection Service	416,898	440,882	23,984
FEDERAL GRAIN INSPECTION SERVICE:			
Standardization and Compliance Activities	8,185	10,443	2,258
AGRICULTURAL COOPERATIVE SERVICE:			
Research on Agricultural Cooperatives	2,779	2,829	50
Technical Assistance to Agricultural Cooperatives	1,935	1,935	0
TOTAL, Agricultural Cooperative Service	4,714	4,764	50
AGRICULTURAL MARKETING SERVICE:			
Marketing Services:			
Market News	16,366	17,694	1,328
Inspection and Standardization	13,344	15,136	1,792
Market Protection and Promotion	1,838	17,737	15,899
Wholesale Market Development	1,623	1,684	61
Subtotal, Marketing Services	33,171	52,251	19,080
Payments to States and Possessions	1,236	942	-294
TOTAL, Agricultural Marketing Service	34,407	53,193	18,786
OFFICE OF TRANSPORTATION:			
Salaries and Expenses	2,397	2,429	32
PACKERS AND STOCKYARDS ADMINISTRATION:			
Administration of Packers and Stockyards Act	9,434	10,559	1,125
Certification of Clear Title	128	128	0
TOTAL, Packers and Stockyards Administration	9,562	10,687	1,125
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:			
Salaries and Expenses	623,842	630,406	6,564
Portion to be financed through transfers from CCC	-623,732	-630,406	-6,674
Subtotal, Salaries and Expenses	110	0	-110
Dairy Indemnity Program	5	0	-5
Conservation Reserve Program	1,010,978	1,878,038	867,060
Agricultural Conservation Program	182,369	176,000	-6,369

Agency or Item	1990 Adjusted Base	1991 Request	Change
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (Cont'd):			
Forestry Incentives Program	12,446	12,446	0
Water Bank Program	12,240	10,498	-1,742
Emergency Conservation Program	9,927	0	-9,927
Colorado River Basin Salinity Program	10,341	14,783	4,442
TOTAL, Agricultural Stabilization and Conservation Service	1,238,416	2,091,765	853,349
FEDERAL CROP INSURANCE CORPORATION:			
Administrative and Operating Expenses	222,694	314,429	91,735
Federal Crop Insurance Corporation Fund Premium Subsidy	162,939	286,693	123,754
TOTAL, Federal Crop Insurance Corporation	385,633	601,122	215,489
COMMODITY CREDIT CORPORATION:			
Export Credit Guarantees	(5,500,000)	(5,500,000)	0
Commodity Credit Corporation Fund:			
Reimbursement for Net Realized Losses	4,233,000	6,100,000	1,867,000
Portion Applied to Debt Reduction and Portion Applied to Liquidate Contract Authority	-4,233,000	-6,100,000	-1,867,000
Total, Commodity Credit Corporation	0	0	0
FARMERS HOME ADMINISTRATION:			
Rural Housing Insurance Fund:			
Loan Levels:			
Direct Loans	(1,905,730)	(1,621,350)	(-284,380)
Reimbursement for Losses	2,677,897	2,667,186	-10,711
Guaranteed Subsidy	0	362,460	362,460
Reimbursement for Rural Rental Assistance Payments	212,468	253,496	41,028
Total, Rural Housing Insurance Fund	2,890,365	3,283,142	392,777
Self-Help Housing Land Development Fund	(500)	(0)	(-500)
Agricultural Credit Insurance Fund:			
Loan levels:			
Real Estate Loans	(807,259)	(188,500)	(-368,759)
Operating Loans	(3,248,485)	(3,100,000)	(-365,985)
Soil Conservation Loans	(4,600)	(0)	(-4,600)
Emergency Loans (Disaster)	(600,000)	(25,000)	(-554,136)
Interest Buy Down	(50,000)	(50,000)	(0)
Reimbursement for Losses	4,120,159	6,014,356	1,894,197
Guaranteed Subsidy	0	33,227	33,227
Grants for State Mediation Programs	3,456	2,000	-1,456
Total, Agricultural Credit Insurance Fund	4,123,615	6,049,583	1,925,968
Rural Development Insurance Fund:			
Loan Levels:			
Water and Waste Disposal Loans	(424,758)	(350,000)	(-74,758)
Business and Industrial Loans	(95,018)	(0)	(-95,018)
Disaster Assistance Acts, 1988, 1989	(70,000)	(70,000)	(0)
Community Facility Loans	(118,210)	(95,700)	(-22,510)
Reimbursement for Losses	1,474,499	1,666,160	191,661
Total, Rural Development Insurance Fund	1,474,499	1,666,160	191,661
Rural Development Loan Fund	17,318	28,000	10,682
Loans	(19,297)	(30,000)	(10,703)
Total, Rural Development Loan Fund	17,318	28,000	10,682
Rural Water and Waste Disposal Grants:			
Water Supply	113,986	55,440	-58,546
Waste Disposal	87,525	42,570	-44,955
Combination-Water Supply and Waste Disposal	2,035	990	-1,045
Technical Assistance	4,154	1,000	-3,154
Total, Rural Water and Waste Disposal Grants	207,700	100,000	-107,700

Agency or Item	1990 Adjusted Base	1991 Request	Change
FARMERS HOME ADMINISTRATION (Cont'd):			
Very Low-Income Housing Repair Grants	12,500	10,000	-2,500
Rural Housing for Domestic Farm Labor	10,862	10,000	-862
Mutual and Self-Help Housing	8,634	0	-8,634
Rural Community Fire Protection Grants	3,091	0	-3,091
Rural Housing Voucher Program	0	189,928	189,928
Rural Rental Assistance Payments, RHIF	(296,317)	(258,000)	(-38,317)
Compensation for Construction Defects	500	0	-500
Rural Housing Preservation Grants	19,140	15,000	-4,140
Rural Development Grant Program	16,406	0	-16,406
Salaries and Expenses	427,534	451,787	24,253
Transfer from Loan Accounts	-4,000	-4,000	0
Total, Direct Appropriation, Salaries and Expenses	423,534	447,787	24,253
TOTAL, Farmers Home Administration	9,208,164	11,799,600	2,591,436
RURAL ELECTRIFICATION ADMINISTRATION:			
Rural Electrification and Telephone Revolving Fund:			
Electrification Program:			
REA Direct Loans	(622,050)	(200,000)	(-422,050)
FFB Direct Loans	(813,450)	(0)	(-813,450)
Total, Electrification Program	(1,435,500)	(200,000)	(-1,235,500)
Telephone Program:			
REA Direct Loans	(239,250)	(0)	(-239,250)
FFB Direct Loans	(119,625)	(0)	(-119.625)
Total, Telephone Program	(358,875)	(0)	(-358,875)
Total, Rural Electrification and Telephone Revolving Fund	(1,794,375)	(200,000)	(-1,594,375)
Rural Telephone Bank:			
Purchase of Capital Stock	28,710	0	-28,710
Direct Loan Level	(177,045)	(125,000)	(-52,045)
Rural Communication Development Fund:			
Reimbursement for Losses	1,329	1,264	-65
Rural Economic Development Subaccount	4,992	0	-4,992
Salaries and Expenses	31,318	33,055	1,737
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	240,757	0	-240,757
TOTAL, Rural Electrification Administration	307,106	34,319	-272,787
SOIL CONSERVATION SERVICE:			
Conservation Operations:			
Technical Assistance	396,426	424,308	27,882
Soil Surveys	68,075	69,812	1,737
Snow Survey and Water Forecasting	5,447	5,563	116
Operation of Plant Materials Centers	7,161	7,315	154
Total, Conservation Operations	477,109	506,998	29,889
River Basin Surveys and Investigations:			
Cooperative Studies	8,306	6,994	-1,312
Flood Plain Management Assistance	2,512	2,116	-396
Interagency Coordination and Program Formulation	1,474	1,241	-233
Total, River Basin Surveys and Investigation	12,292	10,351	-1,941
Watershed Planning	8,824	6,875	-1,949
Water and Flood Prevention Operations:			
Watershed Operations authorized by P.L. 534	25,889	20.218	-5,671
Emergency Watershed Protection Operations	19,855	10,041	-9,814
Small Watersheds Authorized by P.L. 566	135,123	120,853	-14,270
Total, Water and Flood Prevention Operations	180,867	151,112	-29,755

Agency or Item	1990 Adjusted Base	1991 Request	Change
SOIL CONSERVATION SERVICE (Cont'd):			
Resource Conservation and Development:			
Technical Assistance	20,235	22,515	2,280
Financial Assistance	6,961	2,288	-4,673
Loan Services	59	59	0
Total, Resource Conservation and Development	27,255	24,862	-2,393
Great Plains Conservation Program:			
Cost-Sharing Assistance	12,603	15,451	2,848
Cost-Sharing Program and Contract Administration	2,650	2,940	290
Technical Assistance	5,631	6,246	615
Total, Great Plains Conservation Program	20,884	24,637	3,753
TOTAL, Soil Conservation Service	727,231	724,835	-2,396
FOOD AND NUTRITION SERVICE:			
Child Nutrition Programs:			
School Lunch Program	3,115,124	3,223,888	108,764
School Breakfast Program	563,926	606,036	42,110
Child Care Food Program	757,288	794,401	37,113
Summer Feeding Program	170,872	179,716	8,844
State Administrative Expenses	60,647	64,389	3,742
Commodity Procurement	207,837	223,666	15,829
Nutrition Studies and Surveys	3,142	3,085	-57
Nutrition Education and Training	5,000	5,000	0
Federal Review System	3,600	5,653	2,053
Subtotal, Child Nutrition Programs	4,887,436	5,105,834	218,398
Transfer from Section 32	-4,156,554	-4,632,259	-475,705
Total, Child Nutrition Programs	730,882	473,575	-257,307
Special Milk Program:			
Cash Payments to States	20,309	19,268	-1,041
Food Donations Programs for Selected Groups:			
Food Distribution on Indian Reservations	60,140	74,841	14,701
Nutrition for the Elderly	143,482	149,897	6,415
Commodities for Soup Kitchens	39,440	32,000	-7,440
Commodity Supplemental Food Program (CSFP)	65,028	62,932	-2,096
Total, Food Donations for Selected Groups	308,090	319,670	11,580
Special Supplemental Feeding Programs (WIC)	2,125,958	2,215,248	89,290
Food Stamp Program:			
Estimated Properly Issued Benefits	12,463,187	13,173,145	709,958
Estimated State Overissuance	938,089	961,131	23,042
State Administration	1,165,603	1,230,222	64,619
Employment and Training	149,378	153,394	4,016
Other Program Costs	53,332	58,789	5,457
Contengency Reserve	0	500,000	500,000
Excess State Error Liabilities	0	-100,000	-100,000
Total, Food Stamp Program	14,769,589	15,976,681	1,207,092
Nutrition Assistance for Puerto Rico	936,750	0	-936,750
Temporary Emergency Food Assistance Program	169,395	170,000	605
Food Program Administration:			
Federal Administrative Expenses	91,727	96,778	5,051
TOTAL, Food and Nutrition Service	19,152,700	19,271,220	118,520
HUMAN NUTRITION INFORMATION SERVICE:			
Research, Analysis, and Technical Assistance	9,031	10,705	1,674
FOREIGN AGRICULTURAL SERVICE:			
Foreign Agricultural Affairs	31,848	33,194	1,346
Foreign Market Information and Access	15,840	16,065	225
Foreign Market Development	53,655	54,289	634
The General Sales Manager	(7,415)	(8,090)	(675)
TOTAL, Foreign Agricultural Service	101,343	103,548	2,205

Agency or Item	1990 Adjusted Base	1991 Request	Change
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT:			
Salaries and Expenses:			
International Scientific and Technical Cooperation	3,610	3,912	302
International Agricultural Development	1,937	472	-1,465
Operation FAST	494	509	15
Total, Salaries and Expenses	6,041	4,893	-1,148
Scientific Activities Overseas (Foreign Currency Program)	875	0	-875
TOTAL, Office of International Cooperation and Development	6,916	4,893	-2,023
PUBLIC LAW 480:			
Financing Sales (Title I and III)	305,622	251,853	-53,769
Commodities Donated (Title II)	672,599	646,000	-26,599
TOTAL, Public Law 480	978,221	897,853	-80,368
TOTAL, Direct Appropriation for USDA--Agricultural Bill	34,643,686	38,195,155	3,551,469
FOREST SERVICE:			
Forest Research	145,175	148,672	3,497
State and Private Forestry	104,248	56,617	-47,631
National Forest System	1,136,666	1,211,543	74,877
Construction	221,960	222,906	946
Land Acquisition	63,433	63,486	53
Other Funds	6,792	15,900	9,108
Firefighting	555,004	297,849	-257,155
TOTAL, Forest Service	2,233,278	2,016,973	-216,305
TOTAL, Direct Appropriation for USDA	36,876,964	40,212,128	3,335,164
PERMANENT APPROPRIATIONS--FEDERAL FUNDS:			
Cooperative State Research Service	2,810	2,850	40
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act	5,675	5,675	0
Funds for Strengthening Markets, Income and Supply (Section 32)	581,020	373,984	-207,036
Commodity Credit Corporation:			
National Wool Act	93,485	121,316	27,831
Borrowing Authority	9,139,283	13,084,435	3,945,152
Farmers Home Administration:			
Agricultural Credit Insurance Fund	1,751,057	0	-1,751,057
Rural Housing Insurance Fund	2,120,763	633,862	-1,486,901
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund	957,726	0	-957,726
Rural Telephone Bank	71,082	42,666	-28,416
Food and Nutrition Service	4,156,554	4,632,259	475,705
TOTAL, Permanent Appropriations, Federal Funds (Excluding Forest Service)	18,879,455	18,897,047	17,592
Forest Service	550,889	519,681	-31,208
TOTAL, Permanent Appropriations, Federal Funds	19,430,344	19,416,728	-13,616
PERMANENT APPROPRIATIONS--TRUST FUNDS:			
Office of the Secretary	2,633	2,500	-133
Agricultural Research Service	5,000	5,000	0
Economic Research Service	200	200	0
National Agricultural Statistics Service	200	200	0
Animal and Plant Health Inspection Service	5,000	5,000	0
Food Safety and Inspection Service	1,150	1,200	50
Agricultural Marketing Service	87,689	87,689	0

Agency or Item	1990 Adjusted Base	1991 Request	Change
PERMANENT APPROPRIATIONS--TRUST FUNDS (Cont'd):			
Soil Conservation Service........................	560	560	0
Office of International Cooperation and Development....................................	3,935	3,935	0
TOTAL, Permanent Appropriations, Trust Funds (Excluding Forest Service).............	106,367	106,284	-83
Forest Service..................................	345,117	359,502	14,385
TOTAL, Permanent Appropriations, Trust Funds..	451,484	465,786	14,302
SUBTOTAL, USDA, Existing Legislation........	56,758,792	60,094,642	3,335,850
OFFSETTING RECEIPTS...............................	-1,594,149	-1,589,540	4,609
TOTAL, USDA, Existing Legislation...............	55,164,643	58,505,102	3,340,459
PROPOSED LEGISLATION:			
Cooperative State Research Service..............	0	-2,850	-2,850
Animal and Plant Health Inspection Service:			
Salaries and Expenses...........................	0	-78,938	-78,938
Federal Grain Inspection Service................	0	-5,697	-5,697
Agricultural Marketing Service:			
Marketing Services.............................	0	-4,431	-4,431
Agricultural Stabilization and Conservation Service:			
Water Bank Program.............................	0	2,295	2,295
Commodity Credit Corporation:			
Authority to Borrow...........................	0	-1,750,000	-1,750,000
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses.........	0	-241,576	-241,576
Federal Crop Insurance Fund.....................	0	-286,693	-286,693
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving:			
Private Sector Loan Guarantees..............	(0)	(1,100,000)	(1,100,000)
Rural Telephone Bank..........................	0	-2,521	-2,521
Private Sector Loan Guarantees..............	(0)	(200,000)	(200,000)
Food and Nutrition Service:			
Food Stamp Program............................	0	-70,000	-70,000
Child Nutrition Program.......................	-23,398	-462,264	-438,866
Forest Service..................................	0	207,916	207,916
TOTAL, Proposed Legislation..................	-23,398	-2,694,759	-2,671,361
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE....	55,141,245	55,810,343	669,098

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 4--New Budget (Obligational) Authority by Appropriation
Fiscal Years 1982 through 1989, and Estimates for 1990 and 1991

(Note -- Amounts for 1982 through 1989 are adjusted for comparability with the appropriation structure proposed in the 1991 Budget Estimates. Amounts in parentheses are not included in totals.)
(Dollars in Millions)

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Office of the Secretary.......	4.5	5.1	5.7	5.8	5.9	5.8	6.2	6.4	7.3	7.8
Departmental Administration...	17.0	17.2	17.5	24.0	20.7	23.9	26.3	26.2	22.0	27.1
Office of Budget and Program Analysis	3.6	3.6	3.8	3.8	3.6	3.8	4.3	4.4	4.5	5.0
Hazardous Waste Management ...	0.0	0.0	0.0	0.0	0.0	0.0	2.0	5.0	19.9	29.6
Rental Payments & Building Op.	53.1	54.6	62.4	64.9	65.7	67.0	69.0	70.7	72.0	74.4
Advisory Committees...........	0.8	1.4	1.4	1.4	1.2	1.4	1.3	1.5	1.5	1.4
Office of Public Affairs......	8.1	7.7	7.8	8.2	6.8	7.9	8.2	8.4	8.5	8.9
Office of the Inspector General......................	26.7	28.0	29.4	29.9	28.6	45.4	48.8	50.5	51.8	57.6
Transfer from Food Stamps...	13.6	14.8	15.4	16.4	15.9	0.0	0.0	0.0	0.0	0.0
Total, OIG................	40.3	42.8	44.8	46.3	44.5	45.4	48.8	50.5	51.8	57.6
Office of the General Counsel.	12.5	14.5	16.0	16.4	14.3	17.7	18.7	20.8	21.5	23.5
Transfer from Food Stamps...	0.7	0.8	0.7	1.0	0.8	0.0	0.0	0.0	0.0	0.0
Total, OGC................	13.2	15.3	16.7	17.4	15.1	17.7	18.7	20.8	21.5	23.5
Agricultural Research Service:										
Research.....................	418.0	453.3	470.2	489.9	478.4	518.2	541.0	563.4	585.9	623.5
Buildings & Facilities......	8.6	4.9	77.9	22.4	6.0	1.0	15.3	17.0	10.7	32.6
Cooperative State Research Service......................	220.6	244.9	252.7	304.3	282.6	376.7	349.2	338.1	382.8	346.9
Extension Service............	315.3	328.6	334.3	343.7	328.0	339.0	358.0	361.4	369.2	345.7
National Agricultural Library.	8.2	9.1	10.4	11.5	10.8	11.1	12.2	14.3	14.7	15.8
Economic Research Service.....	38.0	39.0	44.3	47.0	44.1	45.0	48.2	49.3	50.7	56.3
National Ag. Stat. Ser........	49.3	51.8	54.4	58.2	56.2	57.9	61.2	63.6	66.9	81.2
World Agricultural Outlook Board........................	1.4	1.5	1.5	1.7	1.6	1.6	1.7	1.8	1.9	2.4
Animal & Plant Health Inspection Service...................	284.1	281.9	273.8	300.8	304.9	313.7	331.7	333.7	361.0	393.3
Food Safety & Inspection Serv.	315.2	328.0	338.8	364.3	355.9	373.0	392.0	405.0	416.9	440.9
Federal Grain Inspection Ser:										
Salaries & Expenses.........	5.3	5.5	6.9	7.0	6.7	6.8	7.0	8.1	8.2	10.4
Inspection & Weighing.......	0.0	0.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total, FGIS..............	5.3	5.5	12.9	7.0	6.7	6.8	7.0	8.1	8.2	10.4

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agricultural Cooperative Ser..	4.5	4.6	4.7	4.7	4.5	4.5	4.6	4.7	4.7	4.8
Agricultural Marketing Service										
Marketing Services..........	37.3	32.5	30.5	30.8	30.5	31.4	32.4	33.4	33.2	52.3
Payments to States & Poss...	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	1.2	0.9
Section 32.................	0.0	75.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total, AMS................	38.3	108.5	31.5	31.8	31.4	32.3	33.3	34.3	34.4	53.2
Office of Transportation......	2.3	2.4	2.5	2.9	2.3	2.4	2.4	2.4	2.4	2.4
Packers & Stockyards Admin....	8.9	8.8	9.0	9.0	8.7	9.1	9.4	9.6	9.6	10.7
Agricultural Stabilization and Conservation Service:										
Salaries & Expenses.........	58.0	56.6	52.7	50.6	0.2	0.0	0.2	0.4	0.1	0.0
Transfer from CCC...........	(289.7)	(350.3)	(357.1)	(344.2)	(455.1)	(532.7)	(609.9)	(619.0)	(623.7)	(630.4)
Total, S & E.............	(347.7)	(406.9)	(409.8)	(394.8)	(455.3)	(532.7)	(610.1)	(619.4)	(623.8)	(630.4)
Dairy & Beekeeper Indemnity Program....................	0.2	7.0	1.8	0.1	9.1	0.6	0.1	0.0	0.0	0.0
Agricultural Conservation Program	190.0	190.0	190.0	190.0	180.7	176.9	176.9	176.9	182.4	176.0
Colorado River Control Prog.	0.0	0.0	0.0	0.0	0.0	3.8	4.9	5.5	10.3	14.8
Conservation Reserve Program	0.0	0.0	0.0	0.0	0.0	0.0	1,085.8	1,727.5	1,011.0	1,878.0
Forestry Incentives Program.	12.5	12.5	12.5	12.5	11.9	11.9	11.9	12.4	12.4	12.4
Water Bank Program..........	8.8	8.8	8.8	8.8	8.4	8.4	8.4	9.0	12.2	10.5
Emergency Conservation......	8.8	0.0	19.0	0.0	5.0	10.0	1.0	5.0	9.9	0.0
Total, ASCS..............	278.3	274.9	284.8	262.0	215.3	211.6	1,289.2	1,936.7	1,238.3	2,091.7
Federal Crop Insurance Corp:										
A & O Expenses..............	116.2	236.0	199.9	200.4	209.6	209.6	200.0	202.0	222.7	314.4
Subscription to Capital Stock......................	250.0	150.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCIC Fund:										
Premium Subsidy and Interest Expense.........	57.5	143.3	109.9	273.0	134.2	135.7	228.5	112.0	162.9	286.7
Total, FCIC............	423.7	529.3	359.8	473.4	343.8	345.3	428.5	314.0	385.6	601.1
Commodity Credit Corporation:										
Reimbursement for Net Realized Losses...........	7,043.2	16,173.5	9,673.6	12,285.8	24,932.9	25,362.0	21,133.7	8,828.3	4,233.0	6,100.0
Portion Applied to Debt Reduction and to Liquidate Contract Authority	0.0	-16,173.5	-9,673.6	-12,285.8	-24,932.9	-25,362.0	-21,133.7	-8,828.3	-4,233.0	-6,100.0

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Office of Rural Development Policy:										
Salaries & Expenses.........	1.8	2.0	2.0	2.3	0.4	0.0	0.0	0.0	0.0	0.0
Farmers Home Administration:										
Rural Housing Insurance Fund:										
Loan Levels:										
Direct..................	(10.1)	(7.1)	(7.1)	(7.9)	(7.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Insured.................	(3,443.8)	(2,944.6)	(2,768.9)	(2,710.5)	(1,825.0)	(1,715.5)	(1,844.8)	(1,845.0)	(1,905.7)	(1,621.4)
Reimbursement for Losses	657.9	1,212.8	1,620.9	1,947.7	1,978.1	2,433.6	3,113.8	3,837.5	2,890.4	3,283.1
Total, RHIF............	657.9	1,212.8	1,620.9	1,947.7	1,978.1	2,433.6	3,113.8	3,837.5	2,890.4	3,283.1
Agricultural Credit Insurance Fund:										
Reimbursement for Losses.	464.1	682.1	895.5	1,089.9	1,078.2	1,323.4	3,605.1	3,470.6	4,123.6	6,049.6
Real Estate Loans........	(689.4)	(769.3)	(715.8)	(731.7)	(569.7)	(405.9)	(486.8)	(406.1)	(807.3)	(188.5)
Operating Loans..........	(1,251.0)	(1,735.5)	(2,071.1)	(4,706.9)	(3,570.4)	(2,539.0)	(1,792.1)	(1,735.2)	(3,248.5)	(3,100.0)
Soil Conservation Loans..	(1.9)	(2.0)	(0.1)	(2.7)	(0.3)	(0.1)	(0.0)	(0.0)	(4.6)	(0.0)
Emergency Loans and Buy Downs	(2,173.4)	(565.9)	(1,650.9)	(490.9)	(227.4)	(295.0)	(47.2)	(545.4)	(650.0)	(75.0)
Total, ACIF............	454.1	682.1	895.5	1,089.9	1,078.2	1,323.4	3,605.1	3,470.6	4,123.6	6,049.6
Rural Development Insurance Fund:										
Reimbursement for Losses.	180.0	336.2	477.8	560.6	556.6	656.6	835.2	1,596.0	1,474.5	1,666.2
Water & Sewer Facility Loans...................	(375.0)	(600.0)	(270.0)	(340.0)	(325.4)	(330.4)	(330.4)	(332.9)	(424.8)	(350.0)
Industrial Development Loans...................	(61.2)	(81.9)	(124.3)	(61.3)	(54.8)	(114.8)	(95.4)	(95.7)	(95.0)	(0.0)
Community Facility Loans.	(126.2)	(130.0)	(130.0)	(115.0)	(95.7)	(95.7)	(95.7)	(95.7)	(118.2)	(95.7)
Disaster Assistance	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(3.4)	(70.0)	(70.0)
Total, RDIF............	180.0	336.2	477.8	560.6	556.6	656.6	835.2	1,596.0	1,474.5	1,666.2
Rural Development Loan Fund.	0.0	0.0	0.0	0.0	0.0	0.0	7.5	11.0	17.3	28.0
Rural Water & Waste Disposal Grants.....................	125.0	300.0	90.0	115.0	109.4	109.4	109.4	116.9	207.7	100.0
Very Low Income Housing Repair Grants..............	15.0	12.5	12.5	12.5	13.9	12.5	12.5	12.5	12.5	10.0
Rural Housing for Domestic Farm Labor.................	13.7	0.0	4.4	0.0	9.5	9.5	9.5	9.5	10.9	10.0
Mutual & Self-Help Housing..	3.9	12.5	6.0	8.0	7.6	8.0	8.0	8.0	8.6	0.0
Rural Community Fire Protection Grants................	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	0.0
Rural Development Grants....	0.0	0.0	0.0	0.0	0.0	3.0	6.5	6.5	16.4	0.0

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Farmers Home Admin.(Cont'd):										
Rural Housing Voucher Program	0.0	0.0	49.0	52.2	0.0	0.0	0.0	0.0	0.0	189.9
Rural Rental Assistance Payments, RHIF	(398.0)	(123.7)	(62.0)	(116.0)	(160.3)	(275.3)	(275.3)	(290.3)	(296.3)	(258.0)
Compensation for Construction Defects	0.0	2.0	2.0	1.0	0.7	0.7	0.7	0.5	0.5	0.0
Payments on Rural Housing Preservation Grants	0.0	0.0	15.0	5.0	19.1	19.1	19.1	19.1	19.1	15.0
Salaries & Expenses	273.8	305.3	330.2	352.3	357.9	394.5	408.4	415.5	423.5	447.8
Transfer from Loan Accounts	(0.5)	(1.5)	(1.6)	(1.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Total, S & E	(274.3)	(306.8)	(331.8)	(353.0)	(361.9)	(398.5)	(412.4)	(419.5)	(427.5)	(451.8)
Total, FmHA	1,736.6	2,866.6	3,506.5	4,147.4	4,134.1	4,973.4	8,138.8	9,506.7	9,208.1	11,799.6
Rural Electrification Admin.:										
Loan Authorizations:										
Electrification	(5,884.6)	(4,238.3)	(4,085.0)	(2,050.0)	(1,500.0)	(803.1)	(1,396.7)	(1,435.5)	(1,435.5)	(200.0)
Telephone	(326.3)	(304.7)	(375.0)	(375.0)	(375.0)	(229.8)	(193.4)	(358.5)	(358.9)	(0.0)
Total, Loan Authority	(6,210.9)	(4,543.0)	(4,460.0)	(2,425.0)	(1,875.0)	(1,032.9)	(1,590.1)	(1,794.0)	(1,794.4)	(200.0)
Rural Telephone Bank:										
Purchase of Capital Stock	(30.0)	(30.0)	30.0	30.0	28.5	28.7	28.7	28.7	28.7	0.0
Loan Levels	(184.8)	(171.6)	(143.0)	(167.8)	(185.0)	(185.1)	(80.1)	(177.0)	(177.0)	(125.0)
Rural Communication Dev. Fund:										
Reimbursement for Losses	0.0	0.1	0.4	0.8	1.2	1.6	1.3	1.4	1.3	1.3
Salaries & Expenses	29.2	29.5	29.9	30.6	29.5	29.4	30.9	31.3	31.3	33.1
Revolving Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	5.0	0.0
Reimbursement to the Fund for Interest Subsidies and Losses	0.0	0.0	197.9	216.0	99.4	20.0	327.7	341.0	240.8	0.0
Total, REA	29.2	29.6	258.2	277.4	158.6	79.7	388.6	402.9	307.1	34.4
Soil Conservation Service:										
Conservation Operations	298.7	336.8	356.0	364.6	348.7	399.7	444.4	465.4	477.1	507.0
River Basin Surveys & Investigations	15.5	16.4	15.6	14.9	14.2	12.0	12.0	12.1	12.3	10.4
Watershed Planning	8.7	8.9	8.7	8.9	8.5	8.7	8.6	8.7	8.8	6.9
Watershed & Flood Prevention Operations	194.0	307.4	195.2	183.8	257.5	177.1	175.9	172.4	180.9	151.1
Resource Conservation & Development	26.5	30.7	26.0	26.3	25.0	25.0	25.1	25.1	27.3	24.9

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Soil Conservation (Cont'd):										
Great Plains Conservation Program....................	21.5	21.3	21.3	21.5	20.5	20.5	20.5	20.5	20.9	24.6
Total, SCS...............	564.9	721.5	622.8	620.0	674.4	643.0	686.5	704.2	727.3	724.9
Food and Nutrition Service:										
State Child Nutrition Pyts.	1,082.9	1,014.3	1,251.5	1,474.9	601.5	1,064.9	679.8	497.5	730.9	473.6
Trans. from Sec. 32.........	(1,763.9)	(2,281.7)	(2,307.3)	(2,329.8)	(3,271.6)	(3,295.9)	(3,817.8)	(4,093.3)	(4,156.5)	(4,632.3)
Total, CNP................	(2,846.8)	(3,296.0)	(3,558.8)	(3,804.7)	(3,873.1)	(4,360.8)	(4,497.6)	(4,590.8)	(4,887.5)	(5,105.9)
Special Milk Program........	28.1	20.1	11.9	17.6	11.5	18.3	21.5	19.9	20.3	19.3
Temporary Emergency Food Assistance Program	0.0	50.0	50.0	57.0	50.0	50.0	50.0	170.0	169.4	170.0
Special Supplemental Food Program (WIC)	934.1	1,193.3	1,400.1	1,500.0	1,580.5	1,705.0	1,852.4	1,929.4	2,126.0	2,215.2
Food Stamp Program..........	11,285.8	12,830.3	12,564.0	12,593.8	12,599.0	12,684.6	13,557.7	13,823.6	15,706.3	15,976.7
Trans. to OIG,OGC,ES.......	-14.2	-15.6	-16.1	-17.3	-16.7	-38.6	-39.6	0.0	0.0	0.0
Total, Food Stamps........	11,271.6	12,814.7	12,547.9	12,576.5	12,582.3	12,646.0	13,518.1	13,823.6	15,706.3	15,976.7
Food Donations Program......	141.4	172.3	166.9	164.4	230.4	193.6	194.1	289.1	308.1	319.7
Food Program Admin..........	95.9	82.5	83.1	84.2	78.5	84.8	85.8	89.2	91.7	96.8
Total, FNS...............	13,554.0	15,347.2	15,511.4	15,874.6	15,134.7	15,762.6	16,401.7	16,818.7	19,152.7	19,271.3
Human Nutrition Information Service......................	8.5	7.8	6.1	7.5	12.9	7.0	8.6	8.8	9.0	10.7
Foreign Agricultural Service..	66.9	75.0	84.0	83.6	79.5	83.8	95.1	95.4	101.3	103.5
Transfer from CCC...........	(5.4)	(5.6)	(5.9)	(6.0)	(5.8)	(7.0)	(7.2)	(7.6)	(7.4)	(8.1)
Office of International Cooperation & Development:										
Salaries & Expenses........	3.6	3.7	5.0	5.0	5.1	5.1	5.3	5.3	6.0	4.9
Scientific Activities Overseas..................	0.2	5.0	5.0	5.0	2.8	2.5	1.5	1.0	0.9	0.0
Total, OICD.............	3.8	8.7	10.0	10.0	7.9	7.6	6.8	6.3	6.9	4.9
Public Law 480:										
Titles I and III............	392.1	428.5	577.0	615.0	628.0	530.8	344.4	399.1	305.6	251.9
Title II....................	607.9	599.5	800.0	1,349.0	615.3	552.3	715.2	699.0	672.6	646.0
Total, P.L. 480...........	1,000.0	1,028.0	1,377.0	1,964.0	1,243.3	1,083.1	1,059.6	1,098.1	978.2	897.9
TOTAL, Direct Appropriations, Agricultural Bill...........	26,569.5	22,911.1	24,101.6	25,893.2	24,091.5	25,466.3	30,855.7	33,292.5	34,643.7	38,195.2

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Forest Service:										
Forest Research	112.1	107.7	108.5	113.8	113.6	126.7	132.5	138.3	145.2	148.7
State & Private Forestry	65.5	62.8	60.6	58.3	55.3	66.6	79.9	86.7	104.2	56.6
National Forest System	1,048.8	1,097.0	922.5	1,111.6	1,168.9	1,185.2	1,240.0	1,594.1	1,136.7	1,211.5
Land Acquisition	25.0	63.1	40.1	50.5	31.4	52.2	49.1	64.2	63.4	63.5
Construction	261.1	310.5	251.7	111.8	214.7	267.2	214.1	225.5	222.0	222.9
Operation and Maintenance of Recreation Facilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1
Acquisition of Lands for National Forests	0.7	0.8	0.8	0.7	0.7	1.0	1.0	1.0	1.1	1.1
Acquisition of Lands to Complete Land Exchanges	0.1	0.1	0.4	0.0	1.1	1.6	0.4	0.3	1.1	1.1
Firefighting	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	555.0	297.8
Range Betterment Fund	6.6	5.4	4.0	4.0	3.6	3.8	3.6	3.9	4.6	4.6
Other Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	37.0	-4.0	0.0	0.0
Resource Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	97.5	0.0	0.0
Total, Forest Service	1,519.9	1,647.4	1,388.6	1,450.7	1,589.3	1,704.3	1,757.6	2,207.5	2,233.3	2,016.9
Total, Direct Appropriations USDA	28,089.4	24,558.5	25,490.2	27,343.9	25,680.8	27,170.6	32,613.3	35,500.0	36,877.0	40,212.1
Permanent Appropriations--Federal Funds:										
Coop. State Res. Ser.:										
Morrill-Nelson	2.8	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Agric. Mktg Ser.:										
Section 32	2,226.6	2,682.1	2,663.2	2,817.1	3,648.3	3,730.2	4,184.5	4,499.1	4,737.5	5,006.2
PACA	2.7	3.7	2.9	3.4	3.7	3.8	5.7	5.6	5.7	5.7
Commodity Credit Corp.:										
Authority to Borrow	7,685.9	19,013.3	66.2	11,448.9	16,650.9	19,941.9	10,929.1	12,241.7	9,139.3	13,084.4
Contract Authority	1,292.2	8,315.2	0.0	3,611.1	6,274.3	0.0	0.0	0.0	0.0	0.0
National Wool Act	42.1	53.9	93.6	132.0	109.4	122.7	152.1	4.5	93.5	121.3
Farmers Home Admin.:										
Agricultural Credit Insurance Fund:										
Net Borrowing from Treasury	5,554.7	4,783.5	8,426.2	8,705.9	3,549.1	1,609.8	1,152.1	2,846.9	1,751.1	0.0
Rural Housing Insurance Fund:										
Net Borrowing from Treasury	6,515.6	5,287.1	6,002.7	4,269.1	1,055.9	0.0	3,480.0	1,000.0	2,120.8	633.9
Rural Development Insurance Fund	1,535.0	1,415.6	1,529.2	1,169.8	445.3	170.0	2,460.4	0.0	0.0	0.0

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Permanent Appropriations--Federal Funds (Cont'd):										
Rural Elec. Admin.:										
Rural Communication Development Fund.........	0.4	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Telephone Bank......	159.3	404.4	75.0	95.6	50.0	79.8	0.0	77.4	71.1	42.7
Rural Electrification and Telephone Revolving Fund.	4,608.1	3,497.4	3,112.0	2,593.9	1,784.9	244.7	906.3	179.8	957.7	0.0
Total, Permanent Appropriations (Excluding Forest Service)........	29,625.4	45,459.9	21,974.6	34,849.6	33,574.6	25,905.7	23,273.0	20,857.8	18,879.5	18,897.0
Forest Service.............	365.4	296.8	337.7	393.6	839.3	329.6	390.4	572.7	550.9	519.7
Total, Permanent Appropriations, Federal Funds.	29,990.8	45,756.7	22,312.3	35,243.2	34,413.9	26,235.3	23,663.4	21,430.5	19,430.4	19,416.7
Permanent Appropriations--Trust Funds:										
Agricultural Research Ser...	1.4	1.7	0.7	1.5	4.8	3.0	3.5	6.0	5.0	5.0
Animal & Plant Health Inspection Service.......	3.8	3.3	4.1	5.1	5.0	5.1	5.0	5.6	5.0	5.0
Agricultural Marketing Service..................	60.2	88.6	69.3	79.2	82.6	85.5	82.5	85.6	87.7	87.7
Food Safety & Inspection Service..................	0.7	0.7	0.8	0.7	0.9	0.9	1.0	1.1	1.2	1.2
Soil Conservation Service...	1.1	10.9	0.6	0.4	0.7	0.3	0.3	0.2	0.6	0.6
Office of International Cooperation & Development	6.6	8.9	4.7	4.8	2.8	2.7	3.2	3.8	3.9	3.9
Other Agencies.............	0.2	0.2	0.4	0.4	0.2	0.4	1.9	2.6	3.0	2.9
Total, Permanent Approp.--Trust Funds (Excluding FS)	74.0	114.3	80.6	92.1	97.0	97.9	97.4	104.9	106.4	106.3
Forest Service............	105.9	320.0	265.9	272.1	232.8	295.2	327.2	325.4	345.1	359.5
Total, Permanent Approp.--Trust Funds..............	179.9	434.3	346.5	364.2	329.8	393.1	424.6	430.3	451.5	465.8
Total, Permanent Approp.	30,170.7	46,191.0	22,658.8	35,607.4	34,743.7	26,628.4	24,088.0	21,860.8	19,881.9	19,882.5
Total, USDA, Existing Legislation..........	58,260.1	70,749.5	48,149.0	62,951.3	60,424.5	53,799.0	56,701.3	57,360.9	56,758.8	60,094.6

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Offsetting Receipts:										
Other than Forest Service	-90.1	-114.4	-80.5	-92.0	-97.2	-97.7	-95.8	-102.8	-103.7	-103.8
Forest Service	-721.1	-746.5	-917.3	-943.0	-1,078.6	-1,183.1	-1,366.5	-1,524.8	-1,490.4	-1,485.7
Total, Receipts	-811.2	-860.9	-997.8	-1,035.0	-1,175.8	-1,280.8	-1,462.3	-1,627.6	-1,594.1	-1,589.5
Total, USDA, Existing Legislation	57,448.9	69,888.6	47,151.2	61,916.3	59,248.7	52,518.4	55,238.9	55,733.3	55,164.7	58,505.1
Proposed Legislation:										
Cooperative State Research Service										-2.8
Agricultural Stabilization & Conservation Service:										
Water Bank Program										2.3
Federal Crop Insurance Corp:										
Admin. & Oper. Expenses										-241.6
FCIC Fund										-286.7
Commodity Credit Corporation:										
CCC Fund										-1,750.0
Rural Electrification Admin.:										
Rural Telephone Bank										-2.5
Credit Reform										
Animal and Plant Health Inspection Service:										
Salaries and Expenses.										-78.9
Federal Grain Inspection Service:										
Salaries & Expenses										-5.7
Agricultural Marketing Serv.:										
Marketing Services										-4.4
Food and Nutrition Service:										
Food Stamp Program										-70.0
State Child Nutr. Pymts.									-23.4	-462.3
Forest Service :										
America the Beautiful										263.9
Oper. & Maintenance of Recreation Facilities										7.5
Land Acquisition										-63.5
Total, Proposed Legislation									-23.4	-2,694.7
TOTAL, USDA	57,448.9	69,888.6	47,151.2	61,916.3	59,248.7	52,518.4	55,238.9	55,733.3	55,141.3	55,810.4

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 5--Outlays 1989 Actual, 1990 Estimate and 1991 Estimate
(Dollars in Thousands)

NOTE: Amounts for 1989 and 1990 have been adjusted for comparability with the appropriation structure proposed in the 1991 Budget.

Appropriation	1989 Actual	1990 Estimate	1991 Estimate
Office of the Secretary	5,546	7,235	7,769
Departmental Administration	20,602	21,911	22,922
Hazardous Waste Management	1,194	13,158	26,135
Advisory Committees	1,555	1,494	1,521
Working Capital Fund	4,680	1,001	3,750
Rental Payments and Building Operations	65,620	72,562	73,894
Total, Departmental Administration	93,651	110,126	128,222
Office of Public Affairs	8,019	8,493	8,882
Office of the Inspector General	50,611	51,476	57,630
Office of Budget and Program Analysis	4,554	4,522	4,945
Office of the General Counsel	20,120	21,525	23,517
Agricultural Research Service	567,740	581,110	612,431
Buildings and Facilities	7,207	20,000	18,000
Total, ARS	574,947	601,110	630,431
Cooperative State Research Service	340,635	390,545	371,964
Extension Service	360,484	367,478	341,950
National Agricultural Library	13,450	14,516	15,376
Economic Research Service	50,005	50,172	55,497
National Agricultural Statistics Service	62,379	64,837	80,425
World Agricultural Outlook Board	1,733	1,888	2,317
Animal and Plant Health Inspection Service:			
Salaries and Expenses	349,749	347,117	367,950
Buildings and Facilities	6,736	13,608	20,466
Total, APHIS	356,485	360,725	388,416
Agricultural Marketing Service:			
Marketing Services	27,065	31,195	52,251
Payments to States and Possessions	992	1,266	1,160
Total, AMS	28,057	32,461	53,411
Food Safety and Inspection Service	401,358	414,365	440,882
Federal Grain Inspection Service	6,588	8,185	10,443
Inspection and Weighing Services	53	0	0
Total, FGIS	6,641	8,185	10,443
Agricultural Cooperative Service	4,883	4,714	4,764
Office of Transportation	2,337	2,397	2,429
Packers and Stockyards Administration	9,200	9,633	10,687
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses	-13,750	-8,746	0
Rural Clean Water Program	4,140	4,863	3,626
Dairy Indemnity Program	-95	336	66
Agricultural Conservation Program	188,615	163,980	165,698
Emergency Conservation Program	7,894	9,782	4,601
Forestry Incentives Program	13,393	12,425	12,911
Conservation Reserve Program	1,372,205	1,765,322	1,991,500
Colorado River Basin Salinity Control Program	4,424	8,084	16,260
Water Bank Program	8,584	9,935	9,271
Total, ASCS	1,585,410	1,965,981	2,203,933

Appropriation	1989 Actual	1990 Estimate	1991 Estimate
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses	226,414	183,585	272,645
Federal Crop Insurance Corporation Fund	877,012	997,255	538,829
Total, FCIC	1,103,426	1,180,840	811,474
Commodity Credit Corporation	10,488,780	8,251,597	11,749,792
Farmers Home Administration:			
Rural Housing Insurance Fund	3,610,736	2,913,851	2,490,643
Agricultural Credit Insurance Fund	2,987,318	2,670,979	1,752,950
Rural Development Insurance Fund	402,805	891,262	885,246
Self-Help Housing Land Development Fund	-560	236	257
Rural Development Loan Fund	4,529	14,553	18,508
Rural Water and Waste Disposal Grants	125,611	133,291	145,497
Rural Development Grant Program	2,602	8,844	11,023
Very-Low Income Housing Repair Grants	12,225	12,225	10,125
Rural Housing Preservation Grants	19,066	20,970	19,085
Rural Housing for Domestic Farm Labor	11,993	12,242	11,069
Mutual and Self-Help Housing	7,413	7,804	7,396
Rural Community Fire Protection Grants	2,820	3,000	2,272
Rural Housing Voucher Program	15,104	15,132	22,952
Compensation for Construction Defects	312	367	319
Salaries and Expenses	406,073	419,500	443,500
Total, FmHA	7,608,047	7,124,256	5,820,842
Rural Electrification Administration:			
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	341,000	240,757	0
Purchase of Rural Telephone Bank Capital Stock	28,710	28,710	0
Rural Communication Development Fund	1,307	1,338	1,324
Salaries and Expenses	30,750	31,545	32,983
Total, REA	401,767	302,350	34,307
Soil Conservation Service:			
Conservation Operations	445,649	479,365	504,374
River Basin Surveys and Investigations	12,158	13,377	10,468
Watershed Planning	8,411	9,132	7,147
Watershed and Flood Prevention Operations	166,475	187,746	158,379
Resource Conservation and Development	25,817	26,765	27,428
Great Plains Conservation Program	21,216	20,783	23,533
Total, SCS	679,726	737,168	731,329
Food and Nutrition Service:			
Child Nutrition Programs	4,555,581	5,001,589	5,237,649
Special Milk Program	18,544	18,931	21,958
Food Donations Programs	282,206	311,955	315,742
Special Supplemental Food Program (WIC)	1,942,094	2,127,495	2,210,184
Food Stamp Program	13,725,093	15,306,332	15,467,192
Temporary Emergency Food Assistance	160,846	172,091	169,928
Food Program Administration	89,932	92,904	96,222
Total, FNS	20,774,296	23,031,297	23,518,875
Human Nutrition Information Service	8,226	8,878	9,962
Foreign Agricultural Service	89,282	101,343	103,548
Office of International Cooperation and Development:			
Salaries and Expenses	1,308	6,041	4,893
Scientific Activities Overseas (Foreign Currency Prog)	2,762	2,235	1,820
Total, OICD	4,070	8,276	6,713
Public Law 480	1,098,100	978,221	897,853
Total, Direct Appropriations, Agricultural Bill	46,236,225	46,216,610	48,528,585

Appropriation	1989 Actual	1990 Estimate	1991 Estimate
Forest Service:			
Forest Research	134,694	143,725	147,977
State and Private Forestry	69,216	100,526	61,081
National Forest System	1,605,915	1,196,079	1,198,446
Forest Service Fire Fighting	0	481,173	293,927
Land Acquisition	55,377	90,883	63,475
Construction	220,993	224,265	220,487
Timber Receipts	34,425	63,080	0
Other Appropriations	26,947	9,180	0
Acquisition of Lands for National Forests, Special Act	701	1,046	1,098
Acquisition of Lands to Complete Land Exchanges	509	985	1,101
Range Betterment Fund	3,844	4,503	4,591
Highway Construction: Mt. St. Helens	907	737	0
Operation and Maintenance of Recreation Facilities	0	0	7,267
Gifts, Donations and Bequests	-110	355	30
Working Capital Fund	18,827	0	0
Total, Forest Service	2,172,245	2,316,537	1,999,480
Total, Direct Appropriations, USDA	48,408,470	48,533,147	50,528,065
PERMANENT APPROPRIATIONS--FEDERAL FUNDS:			
Cooperative State Research Service:			
Morrill-Nelson	2,850	2,810	2,850
Commodity Credit Corporation:			
National Wool Act	93,485	121,316	120,229
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act Fund	5,016	5,675	5,675
Funds for Strengthening Markets, Income and Supply (Section 32)	454,307	422,624	365,097
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund	112,168	-196,463	598,105
Rural Telephone Bank	-11,918	2,771	30,399
Total, Permanent Appropriations (Excluding FS)	655,908	358,733	1,122,355
Forest Service	501,248	529,134	523,714
Total, Permanent Appropriations, Federal Funds	1,157,156	887,867	1,646,069
PERMANENT APPROPRIATIONS--TRUST FUNDS:			
Other than Forest Service	107,750	107,245	107,172
Forest Service	270,476	333,704	356,467
Total, Permanent Appropriations, Trust Funds	378,226	440,949	463,639
Total, Permanent Appropriations	1,535,382	1,328,816	2,109,708
OFFSETTING RECEIPTS:			
Other than Forest Service	-102,814	-103,734	-103,784
Forest Service	-1,524,807	-1,490,415	-1,485,756
Total, Offsetting Receipts	-1,627,621	-1,594,149	-1,589,540
TOTAL, EXISTING LEGISLATION	48,316,231	48,267,814	51,048,233
PROPOSED LEGISLATION:			
Cooperative State Research Service:			
Morrill-Nelson	0	0	-2,850
Animal and Plant Health Inspection Service:			
Salaries and Expenses	0	0	-78,938
Federal Grain Inspection Service	0	0	-5,697
Agricultural Marketing Service:			
Marketing Services	0	0	-4,431
Funds for Strengthening Markets, Income and Supply (Section 32)	0	0	-6,465
Agricultural Stabilization and Conservation Program:			
Water Bank Program	0	0	2,295
Commodity Credit Corporation	0	0	-1,500,000

Appropriation	1988 Actual	1989 Estimate	1990 Estimate
PROPOSED LEGISLATION (Cont'd):			
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses	0	0	-130,865
Federal Crop Insurance Corporation Fund	0	0	-250,526
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund .	0	0	-11,000
Rural Telephone Bank	0	0	-2,521
Food and Nutrition Service:			
Food Stamp Program................................	0	0	-67,741
Child Nutrition Programs..........................	0	-22,074	-414,697
Forest Service.......................................	0	0	140,453
Total, Proposed Legislation........................	0	-22,074	-2,332,983
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE....	48,316,231	48,245,740	48,715,250

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 6--Budget Outlays (Expenditures) from Appropriations, REA and FmHA Loan Authorizations, and Corporation and Other Revolving Funds, Fiscal Years 1982 Through 1989 and Estimates for 1990 and 1991

(Note -- Amounts reported are based on outlays for the Department of Agriculture as shown in the Budget. Figures are adjusted for comparability with the appropriation structure in the 1991 Budget.)
(Millions of Dollars)

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Office of the Secretary.......	4.7	5.3	5.0	5.7	6.2	4.8	4.9	5.5	7.2	7.8
Departmental Administration...	9.6	5.0	13.2	17.0	26.3	23.8	20.1	25.2	22.9	26.7
Office of Budget and Program Analysis..................	3.6	3.6	3.8	3.8	3.6	3.8	4.3	4.5	4.5	4.9
Hazardous Waste Management ...	0.0	0.0	0.0	0.0	0.0	0.0	0.7	1.2	13.2	26.1
Rental Payments and Building Operations..................	53.1	54.8	54.2	68.0	62.6	59.3	66.4	65.6	72.6	73.9
Advisory Committees...........	0.8	0.7	0.9	1.1	0.8	0.8	1.0	1.6	1.5	1.5
Office of Public Affairs......	10.9	6.4	7.2	8.1	6.9	7.2	8.0	8.0	8.5	8.9
Office of the Inspector General.....................	38.5	40.8	42.3	42.1	43.0	44.6	48.6	50.6	51.5	57.6
Office of the General Counsel.	13.5	15.5	16.3	18.0	14.9	15.9	18.5	20.1	21.5	23.5
Agricultural Research Service:										
Agricultural Research.......	428.1	455.4	476.1	484.3	483.6	491.2	514.1	567.7	581.1	612.4
Buildings & Facilities......	9.1	8.0	3.9	6.4	13.9	32.3	23.1	7.2	20.0	18.0
Cooperative State Research Service.....................	219.3	220.4	244.5	243.6	258.1	278.5	298.9	340.6	390.5	372.0
Extension Service.............	306.6	322.7	329.6	338.0	339.7	318.9	317.5	360.5	367.5	342.0
National Agricultural Library.	8.6	6.7	10.0	10.4	11.5	8.8	12.4	13.4	14.5	15.4
Economic Research Service.....	35.6	37.0	40.9	45.1	46.0	43.2	47.1	50.0	50.2	55.5
National Ag. Stat. Ser........	51.5	49.4	55.5	56.5	58.3	60.3	57.8	62.4	64.8	80.4

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
World Agricultural Outlook Board	1.7	1.3	1.5	1.6	1.6	1.5	1.7	1.7	1.9	2.3
Animal and Plant Health Inspection Service	312.2	232.2	293.0	301.1	278.3	319.3	334.7	356.5	360.7	388.4
Food Safety and Inspection Service	318.3	323.2	338.4	359.0	347.5	372.1	389.8	401.4	414.4	440.9
Federal Grain Inspection Ser:										
Salaries and Expenses	10.9	4.9	6.0	6.5	7.0	6.9	7.2	6.6	8.2	10.4
Inspection & Weighing	1.3	2.2	-2.6	-0.9	0.8	-3.0	-4.9	0.1	0.0	0.0
Agricultural Cooperative Serv.	4.4	4.5	4.1	4.3	4.4	4.6	4.5	4.9	4.7	4.8
Agricultural Marketing Service										
Marketing Services	42.6	7.8	37.9	22.0	45.2	18.9	36.6	27.1	31.2	52.3
Payments to States & Poss.	1.2	1.0	0.9	1.0	0.9	0.8	0.8	1.0	1.3	1.2
Office of Transportation	2.0	2.2	2.6	2.5	2.2	2.3	2.5	2.3	2.4	2.4
Packers & Stockyards Admin.	7.2	8.2	8.8	8.7	8.7	9.0	9.2	9.2	9.6	10.7
Agricultural Stabilization and Conservation Service:										
Salaries & Expenses	45.3	28.1	51.2	71.0	-24.6	15.6	-12.7	-13.8	-8.7	0.0
Rural Clean Water Program	5.4	5.7	5.2	6.7	7.4	6.5	5.2	4.1	4.9	3.6
Agricultural Conservation Program	167.8	179.8	180.0	181.8	138.9	157.5	202.7	188.6	164.0	165.7
Colorado River Salin. Cont.	0.0	0.0	0.0	0.0	0.0	1.3	3.6	4.4	8.1	16.3
Conservation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	291.5	1,372.2	1,765.3	1,991.5
Water Bank Program	10.5	10.9	10.0	9.8	9.3	9.5	8.7	8.6	9.9	9.3
Emergency Conservation Program	4.4	9.9	15.5	11.4	7.1	4.7	4.7	7.9	9.8	4.6
Dairy Indemnity Programs	0.0	6.1	2.4	0.0	0.0	8.2	0.5	-0.1	0.3	0.1
Forestry Incentives Program	13.5	10.6	10.8	12.5	11.2	9.1	12.4	13.4	12.4	12.9
Federal Crop Insurance Corp:										
Administrative and Operating Expenses	114.5	96.7	126.4	203.6	194.8	176.3	188.2	226.4	183.6	272.6
Federal Crop Insurance Corporation Fund	103.6	233.4	449.1	301.9	321.3	277.6	222.4	877.0	997.3	538.8

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Commodity Credit Corporation:										
Price Support and Special Activities	11,598.3	18,757.3	7,183.5	17,573.8	25,718.5	22,255.8	12,170.3	10,488.8	8,251.6	11,749.8
Office of Rural Development Policy:										
Salaries & Expenses	1.2	1.6	2.0	1.6	0.9	0.1	0.0	0.0	0.0	0.0
Planning Grants	2.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Farmers Home Administration:										
Rural Water and Waste Disposal Grants	209.6	156.7	134.9	175.9	178.2	157.1	136.0	125.6	133.3	145.5
Salaries and Expenses	274.1	292.7	323.9	339.0	355.8	383.9	397.4	406.1	419.5	443.5
Rural Community Fire Protection Grants	2.7	1.9	2.9	3.1	3.0	2.6	2.8	2.8	3.0	2.3
Rural Housing for Domestic Farm Labor	20.0	15.5	11.1	2.9	17.2	8.8	7.5	12.0	12.2	11.1
Mutual and Self-Help Housing	8.1	7.1	7.6	7.6	7.3	6.4	6.9	7.4	7.8	7.4
Rural Housing Supervisory Assistance Grants	1.3	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Very Low-Income Housing Repair Grants	12.7	12.2	13.6	12.0	12.1	13.2	12.7	12.2	12.2	10.1
Rural Housing Voucher Prog.	0.0	0.0	0.0	0.8	6.4	14.5	14.8	15.1	15.1	23.0
Compensation for Construction Defects	0.0	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.3
Rural Housing Preservation Grants	0.0	0.0	0.0	0.0	0.0	10.2	18.9	19.1	21.0	19.1
Miscellaneous Expired Accounts	5.6	3.6	0.8	1.3	0.8	0.0	0.0	0.0	0.0	0.0
Self-Help Housing Land Development Fund	-0.7	0.6	-1.0	0.0	0.2	0.4	0.0	-0.6	0.2	0.3
Rural Development Grants	0.0	0.0	0.0	0.0	0.0	0.1	0.5	2.6	8.8	11.0
Rural Housing Insurance Fund	4,046.3	3,583.2	3,430.5	2,385.4	3,234.5	798.1	3,611.3	3,610.7	2,913.9	2,490.6
Agricultural Credit Insurance	2,425.3	2,103.4	3,887.5	2,782.3	3,233.7	2,563.7	2,617.7	2,987.3	2,671.0	1,753.0
Rural Development Insurance Fund	1,471.7	1,079.8	1,073.1	723.5	955.8	-209.6	449.8	402.8	891.3	885.2
Rural Develop. Loan Fund	0.0	0.0	0.0	0.0	-4.1	-2.2	0.2	4.5	14.6	18.5
Rural Electrification Administration:										
Salaries and Expenses	27.5	27.3	27.8	27.4	27.3	26.3	27.5	30.7	31.5	33.0
Rural Communication Development Fund	3.5	7.0	5.0	5.7	0.6	0.8	1.1	1.3	1.3	1.3

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Rural Electrification Administration (Cont'd):										
Reimbursement to Revolving Fund for Interest Subsidies and Losses....	0.0	0.0	197.9	216.0	99.4	20.0	327.7	341.0	240.8	0.0
Purchase of Rural Telephone Bank Capital Stock........	0.0	0.0	30.0	30.0	28.5	28.7	28.7	28.7	28.7	0.0
Soil Conservation Service:										
Conservation Operations.....	321.6	328.3	354.0	368.8	346.2	361.8	449.7	445.6	479.4	504.4
River Basin Surveys and Investigations............	15.1	15.7	15.4	15.4	14.6	12.9	9.4	12.2	13.4	10.5
Watershed Planning..........	9.3	8.8	8.2	8.5	8.7	8.2	8.5	8.4	9.1	7.1
Watershed and Flood Prevention Operations.....	195.1	190.8	218.2	248.9	256.6	206.3	184.7	166.5	187.7	158.4
Great Plains Conservation Program..................	22.6	21.3	21.0	21.0	20.0	17.5	20.8	21.2	20.8	23.5
Resource Conservation and Development...............	30.0	26.1	29.5	27.0	27.1	24.4	27.1	25.8	26.8	27.4
Food and Nutrition Service:										
Food Program Administration.	83.4	83.0	82.3	83.2	77.9	77.4	84.8	89.9	92.9	96.2
Food Stamp Program..........	11,014.1	11,839.2	11,561.0	11,701.2	11,619.4	11,555.5	12,265.0	12,818.9	14,369.3	15,465.3
Nutrition Assistance for Puerto Rico..............	0.0	814.2	814.2	824.6	823.7	852.0	880.3	906.2	937.0	1.9
Special Milk Program........	22.9	14.9	16.0	16.0	15.3	15.4	18.3	18.5	18.9	22.0
Child Nutrition Programs....	3,019.7	3,278.1	3,536.4	3,664.6	3,819.7	4,044.8	4,286.2	4,555.6	5,001.6	5,237.6
Special Supplemental Food Program for Women, Infants and Children............	929.8	1,149.8	1,397.8	1,494.7	1,577.5	1,669.6	1,852.4	1,942.1	2,127.5	2,210.2
Food Donations Program	121.2	146.9	171.7	209.9	219.4	220.3	193.9	282.2	312.0	315.7
Temporary Emergency Food Assistance Program........	0.0	6.7	48.7	49.8	49.7	46.5	49.2	160.8	172.1	169.9
Human Nutrition Information Service.....................	3.1	5.4	7.3	7.2	8.1	9.6	10.6	8.2	8.9	10.0
Foreign Agricultural Service..	58.7	70.7	73.7	76.3	90.9	78.1	84.3	89.3	101.3	103.5
Salaries and Expenses (Foreign Currency Program)	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Office of International Cooperation and Development.	0.2	9.6	-1.3	11.6	2.4	32.6	14.6	1.3	6.0	4.9
Scientific Activities Overseas (Foreign Currency Program)...............	3.9	3.0	2.9	4.3	6.1	3.7	3.6	2.8	2.2	1.8

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Public Law 480 Programs:										
(Titles I and III)......	414.1	557.0	429.6	662.5	423.0	496.6	238.6	317.7	505.0	383.0
(Titles II)............	515.3	435.0	655.8	1,052.6	672.3	473.3	821.0	780.4	473.2	514.9
Total, Direct Appropriations..	39,250.7	47,456.5	38,618.7	47,689.4	56,692.5	49,077.8	44,488.6	46,236.2	46,216.6	48,528.6
Forest Service:										
Forest Research............	113.2	109.8	108.8	113.1	112.2	119.9	135.8	134.7	143.7	148.0
State and Private Forestry..	67.4	66.5	56.9	57.5	53.7	55.4	74.4	69.2	100.5	61.1
Firefighting...............	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	481.2	293.9
National Forest System......	1,047.3	987.0	1,056.4	1,062.9	1,145.1	1,231.4	964.5	1,605.9	1,196.1	1,198.4
Land Acquisition............	10.9	37.3	38.4	42.3	37.9	52.5	63.3	55.4	90.9	63.5
Construction...............	420.8	402.2	292.2	273.2	253.2	228.4	243.2	221.0	224.3	220.5
Youth Conservation Corps....	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other General Appropriations	0.0	0.0	1.3	0.4	1.0	0.2	0.0	26.9	9.2	0.0
Acquisition of Lands for National Forests, Special Acts....................	0.6	0.4	0.4	0.5	0.7	0.5	0.2	0.7	1.0	1.1
Acquisition of Lands to Complete Land Exchanges..	0.1	0.2	0.3	0.0	0.1	1.5	0.1	0.5	1.0	1.1
Range Betterment Fund.......	7.4	5.8	4.3	3.9	3.7	3.7	3.3	3.8	4.5	4.6
Excess Timber Receipts......	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34.4	63.1	0.0
Other......................	11.0	-40.6	-21.9	-17.6	0.1	4.0	7.7	19.6	1.0	0.0
Operation and Maintenance of Recreation Facilities ...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.3
Total, Forest Service.......	1,679.0	1,568.7	1,537.1	1,536.2	1,607.7	1,697.5	1,492.5	2,172.1	2,316.5	1,999.5
Total, Direct Appropriations..........	40,929.7	49,025.2	40,155.8	49,225.6	58,300.2	50,775.3	45,981.1	48,408.3	48,533.1	50,528.1
PERMANENT APPROPRIATIONS: (Federal Funds):										
Morrill-Nelson..............	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Funds for Strengthening Markets, Income and Supply (Section 32)..............	384.9	546.5	417.1	476.3	359.7	391.0	382.0	454.3	422.6	365.1
Perishable Agricultural Commodities Act Fund......	2.9	3.0	3.1	3.5	3.7	4.2	4.5	5.0	5.7	5.7
National Wool Act...........	53.9	93.6	132.0	109.4	122.7	152.1	4.5	93.5	121.3	120.2
Rural Electrification and Telephone Loan Revolving Fund	4,467.0	3,001.2	1,717.4	1.4	302.1	-251.9	-2,093.3	112.2	-196.5	598.1
Rural Telephone Bank........	78.4	56.8	15.3	-7.7	-14.2	-61.7	-117.0	-11.9	2.8	30.4
Forest Service..............	391.8	256.7	275.4	341.8	516.9	428.4	455.2	501.3	529.2	523.7
Total, Federal Funds......	5,381.7	3,960.6	2,563.1	927.5	1,293.7	664.9	-1,361.3	1,157.2	887.9	1,646.0

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
(Trust Funds):										
Agriculture	64.7	108.0	77.2	110.7	102.3	78.3	105.0	107.7	107.2	107.2
Forest Service	113.9	178.8	216.3	363.7	159.0	112.1	740.2	270.5	333.7	356.4
Total, Trust Funds	178.6	286.8	293.5	474.4	261.3	190.4	845.2	378.2	440.9	463.6
Total, Perm. Appropriations	5,560.3	4,247.4	2,856.6	1,401.9	1,555.0	855.3	-516.1	1,535.4	1,328.8	2,109.6
OFFSETTING RECEIPTS:										
Other than Forest Service	-90.1	-114.4	-80.5	-92.0	-97.2	-97.7	-95.8	-102.8	-103.7	-103.8
Forest Service	-721.1	-746.5	-917.3	-943.0	-1,078.6	-1,183.1	-1,366.5	-1,524.8	-1,490.4	-1,485.8
Total, Offsetting Receipts	-811.2	-860.9	-997.8	-1,035.0	-1,175.8	-1,280.8	-1,462.3	-1,627.6	-1,594.1	-1,589.6
Total, USDA including Forest Service and Permanents	45,678.8	52,411.7	42,014.6	49,592.5	58,679.4	50,349.8	44,002.9	48,316.2	48,267.8	51,048.1
Proposed Legislation:										
Cooperative State Research Service										-2.8
Agricultural Stabilization & Conservation Service:										
Water Bank Program										2.3
Commodity Credit Corp.:										
CCC Fund										-1,500.0
Federal Crop Insurance Corporation:										
Adm. & Oper. Expenses										-130.9
FCIC Fund										-250.5
Rural Electrification Adm.:										
Rural Electrification & Tel. Revolving Fund										-11.0
Rural Telephone Bank										-2.5
Animal & Plant Health Insp. Service:										
Salaries and Expenses										-78.9
Federal Grain Inspection Inspection Service:										
Salaries & Expenses										-5.7
Agricultural Marketing Serv:										
Marketing Services										-4.4
Section 32										-6.5
Food & Nutrition Service:										
Food Stamps										-67.7
Child Nutrition Progams									-22.1	-414.7

Agency or Item	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Proposed Legislation (cont'd)										
Forest Service:										
America the Beautiful..										197.9
Operation & Maintenance of Recreation Areas..										6.0
Land Acquisition.......										-63.5
Total, Prop. Legislation.									-22.1	-2,332.9
GRAND TOTAL	45,678.8	52,411.7	42,014.6	49,592.5	58,679.4	50,349.8	44,002.9	48,316.2	48,245.7	48,715.2

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 7--Offsetting Receipts by Agency
1989 Actual, 1990 Estimate and 1991 Estimate
(Dollars in Thousands)

Agency	1989 Actual	1990 Estimate	1991 Estimate
Agricultural Research Service	6,004	5,000	5,000
Economic Research Service	293	200	200
National Agricultural Statistics Service .	203	200	200
Animal and Plant Health Inspection Service	5,579	5,000	5,000
Food Safety and Inspection Service	1,116	1,150	1,200
Agricultural Marketing Service	85,567	87,689	87,689
Soil Conservation Service	235	560	560
Office of International Cooperation and Development	3,817	3,935	3,935
Forest Service	1,524,807	1,490,415	1,485,756
Total, Offsetting Receipts, United States Department of Agriculture	1,627,621	1,594,149	1,589,540
Recapitulation:			
General and Special funds	1,230,543	1,175,298	1,156,254
Trust Funds	397,078	418,851	433,286
Total, Offsetting Receipts	1,627,621	1,594,149	1,589,540

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 8--Staff-Years, Fiscal Years 1989, 1990, and 1991

Agency	1989 Actual	1990 Estimate	1991 Estimate
SCIENCE AND EDUCATION			
Agricultural Research Service	8,200	8,200	8,200
Cooperative State Research Service	167	175	193
Extension Service	171	173	175
National Agricultural Library	202	192	192
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS			
Agricultural Stabilization and Conservation Service	3,295	3,359	3,364
Foreign Agricultural Service	851	847	855
Office of International Cooperation and Development	187	194	196
NATURAL RESOURCES AND ENVIRONMENT			
Forest Service	40,913	40,000	39,085
Soil Conservation Service	13,954	14,177	13,821
SMALL COMMUNITY AND RURAL DEVELOPMENT			
Farmers Home Administration	12,571	12,825	13,250
Rural Electrification Administration	533	550	531
Federal Crop Insurance Corporation	862	865	865
FOOD AND CONSUMER SERVICES			
Human Nutrition Information Service	90	90	106
Food and Nutrition Service	1,907	2,026	2,076
MARKETING AND INSPECTION SERVICES			
Federal Grain Inspection Service	816	800	807
Animal and Plant Health Inspection Service	5,633	5,680	5,750
Food Safety and Inspection Service	9,367	9,423	9,525
Agricultural Cooperative Service	65	69	69
Agricultural Marketing Service	4,095	4,097	4,117
Office of Transportation	35	35	35
Packers and Stockyards Administration	183	187	187
ECONOMICS			
Economic Research Service	792	850	835
National Agricultural Statistics Service	1,059	1,034	1,209
World Agricultural Outlook Board	28	32	33
ADMINISTRATION			
Office of the Secretary	87	93	95
Departmental Administration	2,071	2,177	2,189
Office of Budget and Program Analysis	74	78	78
Office of Public Affairs	141	153	153
Office of the Inspector General	860	860	870
Office of the General Counsel	359	387	400
TOTAL, United States Department of Agriculture	109,567	109,628	109,261

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 9--Appropriations for Research and Education, Fiscal Years 1982 through 1989 and Estimates for 1990 and 1991
(Dollars in Millions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
RESEARCH:										
Agricultural Research Service	423.2	451.9	471.1	491.4	483.2	511.4	544.1	569.4	590.9	628.5
Cooperative State Research Service:										
Hatch Act	141.1	147.2	152.3	155.4	148.8	148.8	155.5	155.5	155.1	158.5
Cooperative Forestry	12.0	12.4	12.7	13.1	12.4	12.4	17.5	17.5	17.3	13.0
1890 Colleges & Tuskegee	21.5	21.8	22.8	22.8	22.3	22.3	23.3	24.3	25.0	26.2
Special Research Grants a/	23.1	27.8	26.5	32.0	30.2	55.1	51.8	61.7	73.4	31.0
Competitive Research Grants	16.3	17.0	17.0	46.0	42.3	40.7	42.4	39.7	38.6	100.0
Forestry Competitive Grants	0.0	0.0	0.0	7.8	6.5	6.0	3.0	0.0	3.9	0.0
Animal Health & Disease	5.8	5.8	5.8	5.8	5.5	5.5	5.5	5.5	5.4	0.0
Direct Federal Administration	0.8	0.3	0.6	1.5	1.6	2.9	4.1	6.4	7.9	1.2
Total, CSRS	220.6	232.3	237.7	284.4	269.6	293.7	303.1	310.6	326.6	329.9
Agricultural Cooperative Service	1.7	2.2	2.2	2.9	2.7	2.7	2.7	2.7	2.8	2.8
Agricultural Marketing Service	1.5	1.5	1.6	1.6	1.5	1.5	1.6	1.6	1.6	1.7
Animal & Plant Health Inspection Ser .	0.0	0.0	0.0	0.0	4.4	4.9	6.6	11.3	12.5	13.2
Economic Research Service	39.4	38.8	44.3	46.6	44.1	44.8	48.2	49.3	50.7	56.3
Federal Grain Inspection Service	0.6	0.6	0.7	1.1	0.9	0.8	1.0	0.4	0.3	0.3
Forest Service	112.1	107.7	109.4	113.8	113.6	126.7	132.5	138.3	145.2	148.7
Human Nutrition Information Service ..	8.5	7.7	6.1	7.5	12.9	7.0	8.6	8.8	9.0	10.7
Nat'l Agricultural Statistics Service	7.0	7.6	8.2	8.4	8.0	3.4	3.6	2.9	3.2	3.3
Office of Int. Coop. & Development ...	0.7	5.5	5.3	5.4	3.1	4.2	1.5	1.3	1.2	0.3
Office of Transportation	1.0	0.8	0.8	1.3	1.1	1.0	1.0	1.0	1.0	1.0
Total, Research	816.3	856.6	887.4	964.4	945.1	1,002.1	1,054.5	1,097.6	1,145.0	1,196.7
EDUCATION:										
Extension Service:										
Smith-Lever 3(b&c) Formula	219.4	230.4	235.0	241.4	229.7	235.9	241.6	241.6	242.3	246.5
Other Programs	90.0	92.8	93.8	93.9	93.1	96.8	109.0	110.7	118.1	93.5
Direct Federal Admin.	6.3	5.4	5.5	5.9	5.2	6.3	7.4	9.1	8.7	5.7
Total, Extension Service	315.7	328.6	334.3	341.2	328.0	339.0	358.0	361.4	369.1	345.7
Cooperative State Research Service:										
Morrill Nelson Act	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	0.0
Competitive Fellowship Grants	0.0	0.0	5.0	5.0	2.9	2.9	2.9	2.9	2.8	4.0
Competitive Institution Challenge Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
1890 Colleges	0.0	0.0	0.0	2.0	1.9	1.9	1.9	1.9	1.9	0.0
1890 Capacity Building Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	11.0
Total, CSRS	2.8	2.8	7.8	9.8	7.6	7.6	7.6	7.6	13.9	17.0
National Agricultural Library	8.2	9.1	10.4	11.5	10.8	11.1	12.2	14.3	14.7	15.8
Total, Education	326.7	340.5	352.5	362.5	346.4	357.7	377.8	383.3	397.7	378.5
Total, Research and Education	1,143.0	1,197.1	1,239.9	1,326.9	1,291.5	1,359.8	1,432.3	1,480.9	1,542.7	1,575.2

a/ Includes research program and facility grants.

UNITED STATES DEPARTMENT OF AGRICULTURE

Funds Available for Pesticide Impact Assessment Program

(Dollars in Thousands)

	Fiscal Year		
	1989 Actual	1990 Estimate	1991 Budget
Agricultural Research Service..........	$844	$821	$821
Cooperative State Research Service......	2,218	2,437	2,968
Extension Service......................			
Appropriated........................	1,633	2,561	3,580
EPA-pesticide applicator training....	1,800	1,900	1,900
Total, ES.........................	3,433	4,461	5,480
Economic Research Service..............	440	750	1,000
Forest Service.........................	350	350	350
Total..................................	$7,285	$8,819	$10,619

The purpose of the USDA/Land Grant National Agricultural Pesticide Impact Assessment Program (NAPIAP) is to provide objective and accurate data which define and evaluate the benefits and risks of selected pesticides. These pesticides have critical agricultural or forestry uses and are being evaluated by EPA for possible use restrictions. USDA has a responsibility under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) to determine the agricultural need for the pesticide and the likely human health and environmental impacts.

Increases for CSRS and ES reflect increased demand for pesticide benefit information anticipated as a result of increased EPA regulatory activity.

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Funds Available for Research and Promotion on Soybeans

(Dollars in Thousands)

Agency	Fiscal Year 1989 Actual	Fiscal Year 1990 Estimate	Fiscal Year 1991 Budget
Agricultural Research Service	$25,058	$24,597	$25,097
Cooperative State Research Service:			
Hatch Act	4,903	4,914	5,025
Special Research Grants Program	1,108	1,127	878
Competitive Research Grants	1,450	1,406	- -
1890 Colleges and Tuskegee Institute	1,973	2,028	2,122
Total, Cooperative State Research Service	9,434	9,475	8,025
Economic Research Service	369	300	335
Foreign Agricultural Service	4,500	5,000	5,000
TOTAL, Soybean Research and Promotion	$39,361	$39,372	$38,457

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Funds Available for Research and Promotion on Cotton

(Dollars in Thousands)

	Fiscal Year 1989 Actual	Fiscal Year 1990 Estimate	Fiscal Year 1991 Budget
Research			
Agricultural Research Service:			
Research on plant production	$17,561	$17,710	$17,910
Research on soil, water and air	1,350	1,328	1,528
Research on processing, storage, distribution, nutrition and food safety and consumer services	11,511	11,238	11,238
Integrated agricultural systems	1,305	1,399	1,399
Total, Agricultural Research	31,727	31,675	32,075
Cooperative State Research Service			
Production research	2,608	2,619	2,557
Marketing and utilization research	45	45	44
Total, Cooperative State Research Service	2,653	2,664	2,601
Economic Research Service:			
Economic research and analysis	377	360	380
Subtotal, Research	34,757	34,699	35,056
Promotion			
Agricultural Marketing Service:			
Administrative expenses to ensure that the provisions of the Cotton Research and Promotion Act are carried out	104	114	114
Foreign Agricultural Service:			
Market development activities	4,324	2,378	1,885
Subtotal, Promotion	4,428	2,492	1,999
TOTAL, Research and Promotion	$39,185	$37,191	$37,055

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Obligations for Livestock Research

(Dollars in Thousands)

	Fiscal Year 1989 Actual	Fiscal Year 1990 Estimate	Fiscal Year 1991 Budget
Beef Cattle:			
Agricultural Research Service	$31,033	$31,211	$32,961
Cooperative State Research Service	18,399	18,213	11,123
Subtotal	49,432	49,424	44,084
Dairy Cattle:			
Agricultural Research Service	23,855	25,700	26,125
Cooperative State Research Service	13,874	13,881	10,375
Subtotal	37,729	39,581	36,500
Swine:			
Agricultural Research Service	23,068	22,868	24,043
Cooperative State Research Service	10,674	10,580	7,581
Subtotal	33,742	33,448	31,624
Sheep and Wool:			
Agricultural Research Service	7,764	8,731	8,731
Cooperative State Research Service	4,179	4,140	2,492
Subtotal	11,943	12,871	11,223
Poultry:			
Agricultural Research Service	18,293	19,271	21,121
Cooperative State Research Service	9,198	9,171	2,492
Subtotal	27,491	28,442	23,613
Other Animal Research:			
Agricultural Research Service	1,131	1,628	1,628
Cooperative State Research Service	29,348	30,941	40,009
Subtotal	30,479	32,569	41,637
Total, Livestock Research:			
Agricultural Research Service	105,144	109,409	114,609
Cooperative State Research Service	85,672	86,926	74,072
TOTAL	$190,816	$196,335	$188,681

UNITED STATES DEPARTMENT OF AGRICULTURE

HUMAN NUTRITION RESEARCH, EDUCATION AND INFORMATION

(Dollars in Millions)

Human Nutrition Research

	Fiscal Year			
	1988 Actual	1989 Actual	1990 Estimate	1991 Budget
Agricultural Research Service	$44.30	$45.70	$47.87	$48.03
Cooperative State Research Service	7.60	6.90	7.50	9.40
Human Nutrition Information Service	7.10	7.70	7.90	8.90
Economic Research Service	1.00	0.88	0.90	1.07
Food and Nutrition Service	0.50	0.60	1.30	1.30
TOTAL	60.50	61.78	65.47	68.70
Human Nutrition Education and Information				
Extension Service	75.00	75.00	74.60	38.20
Human Nutrition Information Service	1.20	1.10	1.10	1.80
Food and Nutrition Service	65.50	71.60	91.30	96.90
Food Safety and Inspection Service	0.10	0.22	0.12	0.12
National Agricultural Library	0.50	0.70	0.70	0.70
TOTAL	142.30	148.62	167.82	137.72
TOTAL, Research, Education & Information	$202.80	$210.40	$233.29	$206.42

The FY 1991 significant changes include:

RESEARCH

CSRS Increase of $2.4 million for the National Research Initiative under the Competitive Research Grants program offset by a reduction of $.5 in Special Research Grants.

ERS Increase of $.17 million is to provide analysis and evaluation of primary and secondary information and survey data in food safety issues and agricultural chemical use.

HNIS An increase of $1 million from the Fiscal Year 1990 estimate will provide for the agencyy's participation in the USDA Food Safety initiative and will fund ongoing research.

EDUCATION AND INFORMATION

ES Reducation of funding for Expanded Food and Nutrition Education Program (EFNEP) $58.6 million to $21.6 million. State matching will be required. Program delivery improvements will lower costs per participant. Extension formula fund also available for nutrition education.

FNS Increase of $5.6 million reflects increased funding for the WIC program.

UNITED STATES DEPARTMENT OF AGRICULTURE
NUTRITION RESEARCH PROGRAM

(Dollars in Millions)

	Fiscal Year			
	1989 Actual	1990 Estimate	Change	1991 Budget
NUTRITION REQUIREMENTS/HEALTH MAINTENANCE				
Agricultural Research Service	$33.3	$37.7	$0.1	$37.8
Cooperative State Research Service	4.0	4.4	0.9	5.3
TOTAL	37.3	42.1	1.0	43.1
NUTRITIONAL STATUS/FOOD INTAKE				
Agricultural Research Service	4.0	2.5	0.0	2.5
Cooperative State Research Service	1.3	1.3	0.3	1.6
Human Nutrition Information Service	4.8	4.9	0.9	5.8
Food and Nutrition Service	0.1	0.3	0.0	0.3
TOTAL	10.2	9.0	1.2	10.2
USE OF FOOD/FOOD CHOICES				
Cooperative State Research Service	0.3	0.3	-0.1	0.2
Economic Research Service	0.8	0.8	0.2	1.0
Human Nutrition Information Service	1.1	1.1	0.1	1.2
TOTAL	2.2	2.2	0.2	2.4
NUTRITION COMPOSITION/BIOAVAILABILITY				
Agricultural Research Service	8.4	7.7	0.0	7.7
Cooperative State Research Service	1.2	1.4	0.8	2.2
Human Nutrition Information Service	1.8	1.9	0.0	1.9
TOTAL	11.4	11.0	0.8	11.8
NUTRITIONAL IMPACTS OF PROGRAMS				
Cooperative State Research Service	0.1	0.1	0.0	0.1
Economic Research Service	0.1	0.1	0.0	0.1
Food and Nutrition Service	0.5	1.0	0.0	1.0
TOTAL	0.7	1.2	0.0	1.2
TOTALS				
Agricultural Research Service	45.7	47.9	0.1	48.0
Cooperative State Research Service	6.9	7.5	1.9	9.4
Economic Research Service	0.9	0.9	0.2	1.1
Food and Nutrition Service	0.6	1.3	0.0	1.3
Human Nutrition Information Service	7.7	7.9	1.0	8.9
TOTAL	$61.8	$65.5	$3.2	$68.7

UNITED STATES DEPARTMENT OF AGRICULTURE

NUTRITION EDUCATION AND INFORMATION

(Dollars in Millions)

	Fiscal Year			
	1989 Actual	1990 Estimate	Change	1991 Budget
EXTENSION SERVICE				
Extension (Formula est.)	$16.4	$16.4	$0.2	$16.6
Expanded Food and Nutrition Education Program (EFNEP)	58.6	58.2	-36.6	21.6
TOTAL	75.0	74.6	-36.4	38.2
NATIONAL AGRICULTURAL LIBRARY				
Food, Nutrition and Human Ecology Staff	0.7	0.7	0.0	0.7
HUMAN NUTRITION INFORMATION SERVICE				
Guidance and Education Research Branch	1.1	1.1	0.7	1.8
FOOD AND NUTRITION SERVICE				
Nutrition Education and Training	5.0	5.0	0.0	5.0
WIC (State nutrition education estimate)	66.6	86.3	5.6	91.9
TOTAL	71.6	91.3	5.6	96.9
FOOD SAFETY AND INSPECTION SERVICE *				
Nutrition Labeling	0.1	0.1	0.0	0.1
FDA/FSIS Labeling consistency	0.1	0.0	0.0	0.0
TOTAL	0.2	0.1	0.0	0.1
TOTAL, USDA Nutrition Education and Information	148.6	167.8	-30.1	137.7
TOTAL, USDA Nutrition Research, Education and Information	$210.4	$233.3	-$26.9	$206.4

* Programs in sodium/nutrition information and sodium monitoring have been discontinued.

UNITED STATES DEPARTMENT OF AGRICULTURE

Appropriation for Pest Research and Control Programs

(Dollars in Thousands)

	Fiscal Year				
	1987 Actual	1988 Actual	1989 Actual	1990 Estimate	1991 Budget
Agricultural Research Service:					
Non-chemical	$74,205	$74,850	$73,334	$75,964	$75,964
Chemical	17,164	18,391	19,429	24,027	29,427
Total, ARS	91,369	93,241	92,763	99,991	105,391
Cooperative State Research Service:					
Non-chemical	15,577	15,721	16,775	16,683	14,129
Chemical	4,976	6,233	6,586	6,538	6,091
Total, CSRS	20,553	21,954	23,361	23,221	20,220
Extension Service:					
Non-chemical	15,918	16,100	16,320	17,194	18,267
Economic Research Service:					
Non-chemical	40	40	50	50	70
Chemical	375	350	430	740	980
Total, ERS	415	390	480	790	1,050
Animal and Plant Health Inspection Service:					
Non-chemical	124,249	130,965	141,327	145,850	160,615
Forest Service:					
Non-chemical	19,740	31,920a/	14,515	19,358	19,047
Chemical	1,716	109	2,433	9,535	9,381
Total, FS	21,456	32,029	16,948	28,893	28,428
Total, USDA:					
Non-chemical	249,729	269,596	262,321	275,099	288,092
Chemical	24,231	25,083	28,878	40,840	45,879
TOTAL, USDA	$273,960	$294,679	$291,199	$315,939	$333,971

a/ Includes Appalachian Gypsy Moth Integrated Pest Management Project (AIPM).

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE

Obligations and Staffing for Meat and Poultry Inspection

Fiscal Years 1983 Through 1991
(Dollars in Thousands)

Fund	1983	1984	1985	1986	1987	1988	1989	1990	1991 Est.
Direct Appropriation ...	327,711	338,612	364,122	355,663	371,979	392,009	404,828	416,898	440,882
Federal Program	(297,506)	(307,216)	(331,022)	(321,806)	(338,556)	(356,584)	(368,348)	(380,324)	(402,360)
Grants to States	(30,205)	(31,396)	(33,093)	(33,857)	(33,423)	(35,425	(36,480)	(36,574)	(38,522)
Reimbursements	33,716	35,514	38,953	40,557	42,415	46,682	51,082	52,331	55,000
Trust Funds	914	824	786	822	961	1,043	1,136	1,150	1,200
Total, Meat and Poultry Inspection	362,341	374,950	403,861	397,042	415,355	439,734	457,046	470,379	497,082
Staff-Years	9,612	9,580	9,719	9,292	9,353	9,426	9,367	9,650	9,525

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Purpose Statement

The Office of Budget and Program Analysis provides overall direction and administration of the Department's budgetary functions including development, presentation, and execution of the budget; review of program and legislative proposals for program and budget implications; and analysis of program issues and alternatives and preparation of summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process.

The Office of Budget and Program Analysis is located in Washington, D.C. As of September 30, 1989, there were 72 permanent full-time employees and one other than full-time permanent employee.

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Available Funds and Staff-Years

1988 Actual and Estimated, 1990 and 1991

Item	1989 Actual Amount	1989 Actual Staff Years	1990 Estimated Amount	1990 Estimated Staff Years	1991 Estimated Amount	1991 Estimated Staff Years
Direct Appropriation...	$4,389,000	74	$4,522,000	78	$4,971,000	78
Obligations Under Other USDA /Appropriations:						
Personnel Details.....	39,400	--	4,000	--	--	--
Total, Agriculture Appropriations........	4,428,400	74	4,526,000	78	4,971,000	78
Total, Office of Budget and Program Analysis..	4,428,400	74	4,526,000	78	4,971,000	78

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling................	74	78	78
Non-Ceiling............	1	1	1
Total................	75	79	79

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989 Headquarters	1990 Headquarters	1991 Headquarters
ES-6	2	2	2
ES-5	3	3	3
GS/GM-15	7	7	7
GS/GM-14	17	17	17
GS/GM-13	14	14	14
GS-12	5	5	5
GS-11	5	5	5
GS-10	1	1	1
GS-9	2	2	2
GS-8	4	4	4
GS-7	5	7	7
GS-6	2	2	2
GS-5	3	6	6
GS-4	1	1	1
GS-2	1	1	1
Total Permanent Positions	72	77	77
Staff-Years:			
Ceiling	74	78	78
Non-ceiling	1	1	1
TOTAL	75	79	79

OFFICE OF BUDGET AND PROGRAM ANALYSIS

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

		1989	1990	1991
Personnel Compensation:				
	Headquarters	$3,373,245	$3,699,000	$3,792,000
11	Total personnel compensation	3,373,245	3,699,000	3,792,000
12	Personnel Benefits.........	445,895	505,000	553,000
13	Benefits for former personnel................	3,658	3,000	4,000
	Total pers. comp & benefits...	3,822,798	4,207,000	4,349,000
Other Objects:				
21	Travel......................	26,463	21,000	27,000
22	Transportation of things....	137	0	0
23.2	Rental payments to others...	0	0	0
23.3	Communications, utilities, and misc. charges.........	70,304	66,000	96,000
24	Printing....................	53,851	57,000	74,000
25	Other services..............	107,148	78,000	164,000
26	Supplies and materials......	43,753	34,000	86,000
31	Equipment...................	71,846	59,000	175,000
	Total other objects...........	373,502	315,000	622,000
Total direct obligations............		4,196,300	4,522,000	4,971,000
Position Data:				
	Average Salary, ES positions.....	$79,440	$82,300	$96,580
	Average Salary, GM/GS position...	$42,646	$44,182	$45,728
	Average Grade, GM/GS positions...	11.10	11.10	11.10

OFFICE OF BUDGET AND PROGRAM ANALYSIS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Budget and Program Analysis

For necessary expenses of the Office of Budget and Program Analysis, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $5,000 is for employment under 5 U.S.C. 3109, [$4,554,000] $4,971,000.

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Appropriation Act, 1990	$4,554,000
Budget Estimate, 1991	4,971,000
Increase in Appropriation	+417,000

Adjustments in 1990		
Appropriation Act, 1990	$4,554,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-32,000	
Adjusted base for 1990		4,522,000
Budget estimate, 1991		4,971,000
Increase over adjusted 1990		+449,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Budget and Program Analysis	$4,522,000	+$317,000	+$132,000	$4,971,000

PROJECT STATEMENT
(on basis of appropriation)

	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Budget and Program Analysis	$4,196,300	74	$4,522,000	78	+$449,000	$4,971,000	78
Unobligated Balance	192,700	--	--	--	--	--	--
Total available or estimate	4,389,000	74	4,522,000	78	+449,000(1)	4,971,000	78
Gramm-Rudman-Hollings Reduction, P.L. 99-177	--	--	+32,000				
Total, Appropriation	4,389,000	74	4,554,000				

Explanation of Program

The Office of Budget and Program Analysis provides direction and administration of the Department's budgetary functions including development, presentation, and execution of the budget; reviews program and legislative proposals for program, and budget and related implications; analyzes program and resource issues and alternatives, and prepares summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process; provides Department-wide coordination for and participation in the presentation of budget related matters to the Committees of the Congress, the press, and the public. It also provides Department-wide coordination of the preparation and processing of legislative programs and reports; provides Department-wide coordination and processing of regulations; and aids the Secretary and other Departmental agency officials in making management decisions regarding the Department's programs and resources.

OFFICE OF BUDGET AND PROGRAM ANALYSIS

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $449,000 for budget and program analysis consisting of:

(a) An increase of $132,000 for ADP equipment and related services.

Need for Change. Since 1982 the staffing level for this small office has declined by almost 20 percent from 92 staff-years to an estimated 74 staff-years in 1989. During the same period workload associated with the development, presentation and execution of the Department's budget has steadily increased. Workload increases have been met through an aggressive program to automate activities, wherever possible, and to reduce paperwork to minimum levels. However, even with these efforts it is not possible to sustain current quantity of work without modest additional resources.

The Office undertook a phased installation of automated capability beginning in 1983. Since that time, automated activities have become increasingly more extensive and more essential to promptly analyze the impact of rapidly changing program and budget issues. The Office is tied into several computer systems in OMB which are used to prepare the President's budget documents and a wide array of special analyses. In addition, the Office uses its automation capability to monitor and track status of key legislative and regulatory issues to perform budget and program analyses, and to prepare an extensive array of budget and program tables, summaries, and issue papers designed to serve agencies, Department policy officials, and Congressional committees.

Nature of Change. Funds would be used to begin replacing and upgrading existing hardware and software that have exceeded expected systems life. The upgrade and replacement would be phased over a several year period during the early 1990's. The new equipment will enhance response time for users, improve reliability, and improve communications capability by facilitating links with other machines and operating systems, such as those of Departmental agencies and the central guidance agencies.

(b) An increase of $168,000 for the 1989 pay raise and $149,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1989, and estimated 1990 and 1991

	1989		1990		1991	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Washington, D.C.	$4,196,300	74	$4,522,000	78	$4,971,000	78

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OFFICE OF BUDGET AND PROGRAM ANALYSIS

STATUS OF PROGRAM

The Office of Budget and Program Analysis (OBPA) develops and directs systems for the formulation and presentation of the Department's program and budget estimates; administers systems for the management and control of funds; provides analysis of budget and program proposals; and provides staff assistance to USDA policy officials and Agency program managers in meeting their responsibilities for the development and review of regulations and legislative reports.

OBPA assists the Secretary, Deputy Secretary, and other policy officials of the Department in the development, presentation, execution, and monitoring of the Department's budget. OBPA provides general oversight, review, and analytical studies related to alternative policy directions and resource levels. OBPA represents the Department at meetings and hearings with Congressional Committees, the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Department of Treasury and others on matters related to the Department's budget.

Current Activities:

Development and Presentation of the USDA Budget

-- Review and analyze agency budget estimates and development of alternatives and supporting data for the Secretary.

-- Consolidate materials for the budget submitted to OMB. Serve as liaison with OMB staff during their review of the Budget Estimates.

-- Prepare Department-wide budgetary statements and summaries.

-- Coordinate and prepare supporting justifications for budget requests to be presented to the Appropriations Committees.

-- Serve as liaison with the Appropriations Committees and their staffs including scheduling hearings, reviewing transcript, and answering questions on USDA and its programs.

-- Prepare and consolidate information requested by the appropriations, authorizing, Budget Committees and the Congressional Budget Office (CBO) including special budgetary analyses, reports and appropriations hearings materials.

Management and Control of USDA Funds and Staff-Years

-- Review and monitor agency obligation and expenditure reports to ensure that programs are implemented and administered in accordance with laws, regulations, and the requirements of the Executive Branch and Congress.

-- Monitor and analyze the Department's use of staff-year resources.

Program Analysis

-- Coordinate and/or conduct program evaluation, policy analyses and other reviews to assist agency and senior policy officials in formulating or implementing USDA objectives.

-- Review and analyze correspondence, legislation, regulations, and policy statements to determine their impact on USDA objectives.

-- Monitor ongoing studies with significant program or policy implications and publish quarterly the USDA Study Agenda which provides the current status report of each study.

Coordination of Regulatory Decisions

-- Review and assist in development of regulations and impact analyses used in regulatory decision making.

-- Coordinate and assist in preparation of the USDA portion of OMB's Regulatory Program and the Regulatory Agenda.

-- Maintain liaison with OMB, other Federal agencies and the Congress on the review of rules.

Coordination of Legislative Proposals and Reports

-- Coordinate and assist in the preparation of bills, resolutions, reports and other legislative material for submission to the Congress.

-- Compile and produce the USDA Legislative Program which lists pending Administration proposals by subject area.

-- Maintain the Legislative Reports Tracking System to inform senior policy officials of the status of legislative proposals and reports.

Selected Examples of Recent Progress:

Automation. Automation of the budget and program analysis processes continues to be an important objective to promote the provision of accurate and timely responses to requests for information and assistance. Emphasis is placed on improved systems development and more efficient administrative and human resource management. During FY 1989, a comprehensive study and analysis of current and future automation capabilities and requirements was started. The project will be completed in FY 1990 and serve as the basis for phased improvements in the agency's automation capabilities throughout the 1990's. Also in the fall of 1989, the agency significantly improved its existing software capabilities to provide more effective tools to aid in the analysis and presentation of program and budget issues.

Legislative Reports Tracking System. The Legislative Reports Tracking System continues to be a key element in OBPA's efforts to coordinate, monitor and provide information on the large volume of legislative reports, proposals, bills, and resolutions received by the Department. During the first session of the 101st Congress, OBPA assisted in the preparation of approximately 550 legislative reports or proposals and monitored the intra-Department handling of about 8,000 bills, resolutions and other materials.

Disaster Assistance. OBPA coordinated analytical efforts related to passage of the Disaster Assistance Act of 1989. This included analyzing the adequacy and costs associated with ongoing programs, as well as developing and costing out proposals included in the final legislation. The estimated cost of the final enacted bill was approximately $890 million.

Budget Summary. OBPA presented a series of technical, non-policy budget briefings for Congressional staff, the press, special interest groups, and the general public when the Administration issued its FY 1990 budget proposals. These briefings were attended by over 100 Congressional staff and members of the press and were broadcast on USDA's closed circuit TV. OBPA also distributed over 1,800 copies of the Budget Summary document to Congressional Committees, the press, state governments, farm groups, and other people interested in USDA programs.

THURSDAY, FEBRUARY 22, 1990.

GENERAL AGRICULTURAL OUTLOOK

WITNESSES

BRUCE GARDNER, ASSISTANT SECRETARY FOR ECONOMICS
JAMES DONALD, CHAIRMAN, WORLD AGRICULTURAL OUTLOOK BOARD
KEITH J. COLLINS, DIRECTOR, ECONOMIC ANALYSIS STAFF
STEPHEN DEWHURST, BUDGET OFFICER

OPENING STATEMENT

Mr. WHITTEN. The Committee will come to order.

We have with us today Mr. Gardner and his associates in connection with economics and overall general agricultural outlook.

Yesterday, we had the Secretary here to testify and any review of the Department over the years seems to clearly indicate that it's being governed by the desires of other departments of Government.

We've seen it in just about every area, when funds are tight someplace else, the Administration takes it out on the American farmer. This is a matter of record, and I put it in the record yesterday.

I realize that when you say general outlook, you have to base it on whatever the Congress or the Executive Branch may do in connection with agricultural operations, so we know to take what you say with a grain of salt. We don't do this to be unfair, but you can't predict what the Congress or Executive Branch are going to do.

For instance, when the Administration got upset with Russia for moving into Afghanistan, we refused to sell commodities to Russia. What this did was punish the American farmers by taking their markets and giving it to our competitors.

I've included in yesterday's record examples that clearly show this has happened time after time. So with your presentation, we must realize that you cannot anticipate what kind of decisions will be made at the State Department or at other levels, which affect the outcome.

The record is replete that for about 40 years any time they want to serve the purpose of international relationship, they take it out on the American farmer.

The record shows that some years ago you had to sell cotton for 46 cents. Spain bought it and resold it for 96 cents.

We had surplus butter, but for political reasons, the Administration wouldn't sell butter to Russia. So we sold it to New Zealand and they made 50 cents a pound on it when they sold it to Russia.

Well, that's the record, and I put it in the record yesterday. So you might proceed and tell us what you think may happen as you look at the White House and elsewhere, and what the outlook in view of that is.

Mr. **Gardner**. Thank you, Mr. Chairman.

Mrs. Smith, thank you for the opportunity to testify on the economic conditions in agriculture.

FARM BILL

Mr. **Whitten**. Are you counting on the new farm bill which is supposed to come out in June? Are you taking it into consideration?

Mr. **Gardner**. Have I taken the——

Mr. **Whitten**. I mean, in giving us your estimates.

Mr. **Gardner**. Yes.

Mr. **Whitten**. I had the President's Chairman of the Council of Economic Advisors testify a few years ago before us, and when he was through, I said, "Have you noticed all economists work on salary," and he said, "I sure have." So go ahead.

Mr. **Gardner**. Well, the outlook we're presenting here does take into account everything we can foresee as far as we can foresee them.

Mr. **Whitten**. Have you taken the vagaries of the Congress or of the Executive Branch into account?

Mr. **Gardner**. The expected value of those things are taken into account. I think, just looking at where we are today, and let me just summarize what I've got in my written presentation——

Mr. **Whitten**. Well, we have a whole lot of stuff where we are today. You may proceed.

Mr. **Gardner**. Okay. I do want to point out, though, that since 1985, I think there's been some substantial improvement in the farm sector. Farm income is up——

Mr. **Whitten**. What was the starting point? You say the farm sector has improved. Where did it start in 1985?

Mr. **Gardner**. It started from a fairly poor state of affairs, and that's why I'm using it.

Mr. **Whitten**. The record shows that since 1980, over 300,000 farmers have been pushed off their farms, so where were we in 1985? If it's improved, just show us where the starting point was.

Mr. **Gardner**. Yes. Well, I'm here talking about the farm crisis situation in 1985 and the fact that——

Mr. **Whitten**. How does the price help if they cut your volume? We had the PIK Program, you know, and it gave away 11 percent of our acreage to our overseas competitors.

Mr. **Gardner**. In any case, since 1985, I do think we've seen this improvement.

Mr. **Whitten**. We think you've done the best you can. Go ahead.

Mr. **Gardner**. Okay. Thank you. I do think it's worth pointing out that we have improved since the big problems of the mid-1980's, and at the same time Government farm program spending has come down.

We've returned some idle land to production, and the commodity surpluses that we had at that time have been worked off.

Just looking at the last few months, farm prices for milk and cattle——

Mr. **Whitten**. Farm prices? How much of that is the farmers? An increase in farm prices doesn't help the farmer who sold his product six months ago or after the buyers have control of it.

An increase in farm prices often just helps the trader. How many farmers still have last year's crop? I'm just telling you your increase in price is benefitting the fellow who bought the farmers product or the bank who foreclosed on his farm.

Mr. **Gardner**. Well, I'm thinking here——

Mr. **Whitten**. What does that have to do with the farmers? They haven't got anything at this time of year.

Mr. **Gardner**. Well, I'm thinking of the livestock prices and the fruit and vegetable prices.

Mr. **Whitten**. What was the price last fall when the farmer had to sell?

Mr. **Gardner**. They're selling the livestock right along.

Mr. **Whitten**. What counts is the price when you sell. We represent the farmer here, and it's quite a job.

Mr. **Gardner**. Yes.

Mr. **Whitten**. So give us in the record how much the farmers had on hand when you say the price went up.

Mr. **Gardner**. All right.

[The information follows:]

Our January grain stocks report gives the most current indication of what portion of 1989 crops farmers now have on hand. This report indicated that 66 percent of corn stocks were located on farms on December 1, 49 percent of the soybean stocks, and 41 percent of wheat stocks. Historically, these farm percentages normally go down just slightly by March 1, although there is a substantial decline in overall stocks.

Mr. **Whitten**. You may proceed.

DEBT INCREASE

Mr. **Gardner**. Looking at what's happened in these last few months, I think that our expected commodity receipts for 1990 are higher now than they had been earlier, so that when we project——

Mr. **Whitten**. Is that in terms of present-day dollars?

Mr. **Gardner**. Yes. Present day dollars.

Mr. **Whitten**. Well, the dollar has decreased about 50 percent in value, so that means it's about 50 percent of what it was.

Mr. **Gardner**. I'm just comparing here where we are today as compared to a few months ago.

Mr. **Whitten**. In current dollars?

Mr. **Gardner**. Yes.

Mr. **Whitten**. Go ahead.

Mr. **Gardner**. Where we were talking and still are talking about cash incomes in the $52 billion to $57 billion range for 1990, now it looks like we'll be at the upper end of that range.

Mr. **Whitten**. I'll try to quit with this, but the situation is deadly serious. Our debt has increased to $3 trillion.

We are keeping up an appearance of well being through borrowing, by the Federal Reserve issuing more dollars, or by inflation. Now we begin to see that 50 percent of our debt, at least, is inflation; the other 50 percent, we are borrowing from foreign countries. We're selling our assets.

We can't find out exactly how much in assets we've sold. Nearly every big city in this country has had foreign countries buying their main assets, and they say that just shows their interest in them.

But if they make a profit, the profit is going overseas. Our trade deficit is $170 billion. We're letting exports from foreign countries just flood in here to deprive domestic producers of domestic monies.

Then we're not using the Commodity Credit Corporation to keep things on the counter for sale in world trade. We send somebody over there with a mission to make a deal. We can't believe that foreign countries' restrictions on imports are to keep us out.

As I pointed out to the Secretary yesterday, at one time England would not let us ship our cattle over there because of foot and mouth disease. They're the ones that had it, not us.

All of what I say should be a lesson in protecting our own interests. We're going to have to start limiting imports to needs and produce more than we need so we can sell it if we're going to handle the $3 trillion debt.

I mention these things because it makes us wonder whether your projections, in view of all these other things, mean anything for the farmer except what the buyers and the traders are benefitting from if they took it from the farmer last fall. Go ahead.

Mr. GARDNER. Okay. Well, I think there is a good likelihood that the 1990 net farm income and cash income will exceed the level we had last year, even though we do think that crop prices for some of the main crops are going to decline this year as output rises in 1990 compared to 1989, assuming that we have normal weather.

Mr. WHITTEN. Again, do you say what time of the year?

Mr. GARDNER. This will be a year average.

Mr. WHITTEN. Year average? Go ahead.

Mr. GARDNER. I'd like to say a little bit about the longer term outlook for the 1990's. There are so many unanticipated events such as things you've mentioned that could occur that it would be foolhardy to try any quantitative answer to this.

ECONOMIC GROWTH

But the experience of the 1970's and the 1980's gives us some notions, I think, of things to watch for. That is, the pre-conditions for agricultural prosperity in the 1990's.

I think the most important of these factors have to do with the world agricultural economy. There are two aspects of this.

First, the strength of the international commodity markets, and second, the U.S. competitiveness in these markets.

The main issue concerning the world markets as a whole is the rate of world real income growth. The slow rate of growth of real income in so many countries in Africa and Latin America in the 1980's, and the associated international debt problems of that period, were principal causes of the market weaknesses that we saw in the 1980's.

It's hard to see how the 1990's can be quite as bad as that, and I think there's hope for some better economic conditions around the world that will help our exports from the demand side in the 1990's.

With respect to U.S. competitiveness, there are two main issues. The first is U.S. productivity growth, which has been a success story for many years.

Mr. **Whitten**. What's that?

Mr. **Gardner**. It's been a success story for many years, the U.S. productivity growth. The fact that for a 60-year period now, we've seen the amount of output we can get for a given amount of input going up by about one and a half percent a year.

Mr. **Whitten**. What do you include in this growth in view of the fact that we've got 70 million acres of land lying idle, and we're paying farmers not to produce when the world is hungry? What effect does that have on your figures?

Mr. **Gardner**. Those idle acres reduce your measure of productivity, because it's an input that's not giving you any output.

Despite that, we still have quite a good record of long term productivity growth, which shows no signs of going down.

Mr. **Whitten**. What effect does the increase in minimum wage have on the cost? Income is price times volume less cost.

We reduce the farmers price, increase his costs by raising the minimum wage, and decrease his volume by paying him to let his acreage lie idle. How can a farmer hope to make it?

Mr. **Gardner**. Well, those are——

Mr. **Whitten**. Get a job on the side like you and me?

Mr. **Gardner**. The final thing I want to mention about competitiveness is that a level playing field for our producers in the world commodity markets is important, and, of course, the Secretary and the Administration generally are interested in that aspect of the international economy, and we hope that we'll see in the longer term——

Mr. **Whitten**. What other country is looking internationally on farm issues? Every country I know, except us, is selling what they have and don't need for what it will bring, unless they've got a bilateral agreement somewhere.

We're the only country that lets everything in and then pays the traders and exporters to export it and charge the cost to the farmer. We're the only country that does that as far as I know.

Mr. **Gardner**. Well, I think that's the purpose of international negotiations is to try to improve that picture, and I think with our productivity, we're in a good position to prosper in that situation.

Mr. **Whitten**. It's not your fault, but I think you must realize that under present conditions we just have to take anything you say with a grain of salt, because nobody knows what will happen in the future.

I'll try not to interrupt anymore, but we are in one awful financial fix. Our trade deficit is $170 billion. Our national debt is $3 trillion, an increase from $900 million in ten years.

We're in one whale of a mess. We can't get the full figure on how much of our country foreigners have bought, because we're afraid it might affect our ability to borrow next month. That's a sad situation.

Mr. **Gardner**. Addressing the longer term picture, I had a few comments on that, as I mentioned. In my written remarks, there's more detail about where we are and where we will be commodity by commodity as far as our best information tells us at the present time.

I thank you for having me here, and I will be happy to answer questions you or the members may have.

Mr. WHITTEN. I might not act like it, but we're glad to have you here. We've gone through all of this, and I apologize for raising the point, but everything I say is true, and I don't know what the answers are.

EXPORTS

Mr. GARDNER. Thank you. Well, let me give a few more of the details about where we see the international economy going. Exports of agricultural products are a barometer of the financial strength of U.S. agriculture, and in fiscal year 1990, we expect agricultural exports to total about $38 billion, which is up something like 40 percent from 1986.

The United States has benefitted from adequate supplies, competitive pricing and the overall expansion in world trade since the mid-1980's as importing countries have had greater foreign exchange earnings and have been able to finance purchases better.

World trade overall has been growing by about 15 percent annually in recent years, after its decline in the early 1980's, and agricultural trade has expanded with it.

Let me say some things about the situation in U.S. agriculture as far as 1990 compared to 1989. Increased consumption and output reduction due to the drought raised overall farm prices to record highs in 1989.

The index of prices received by farmers for all commodities averaged seven percent above 1988. Using this same index, farm prices will probably fall something like three to four percent in 1990, as production of major crops increases.

Prices for the 1990 crops of corn, wheat, cotton and rice are likely to fall as acreage increases, assuming average weather and yields.

Soybean prices could also be down because of increased South American supplies mainly. Because of continued strong demand, cattle prices in 1990 are expected to be up, even though total production is also expected to be up, perhaps two percent.

Hog prices are expected to average more than 10 percent higher in 1990 as production declines. We expect both broiler and turkey prices to average about 10 percent lower in 1990 due to increased production and record meat supplies.

Total poultry production for 1990 is expected to surpass beef production for the first time. Egg and milk prices are expected to decline substantially from current record highs as production increases during 1990.

Overall milk prices are likely to be about a dollar per hundred weight below 1989, and egg prices perhaps 10 percent below 1989.

PRICE INCREASE

From the consumer's point of view, this adds up to a rise in the food CPI in 1990 over 1989 of three to five percent, compared with a 5.8 percent increase in 1989 over 1988.

Record meat supplies and larger production of food grains will keep the farm component of food prices lower, while overall slower inflation will dampen the non-farm component.

The December freeze changes this picture a little bit. It will likely raise citrus prices throughout the year and also increase overall fresh fruit and vegetable prices in the first quarter of 1990.

However, the freeze will add less than half of one percent to the overall food consumer price index, since fruits and vegetables account for only about seven percent of the overall food CPI.

The acreage reduction programs for wheat, cotton and rice have been reduced for the 1990 crops, while the ARP for feed grains is unchanged.

We believe wheat plantings may rise about three million acres, cotton by two million, and rice up just slightly. Corn acreage in 1990 could be about three million acres higher because of less acreage idled in the 0/92 program this year, and also because of less acreage planted to soybeans under the 0/25 program, and less acreage idled under the corn program as a result of lower participation.

Soybean acreage we think will be down by perhaps two million acres, since farmers are going to be facing lower expected prices at planting time as this record South American crop comes onto the market.

Overall, we think there will be some 18 million to 19 million acres idled by the annual programs in 1990. Total acreage idled will be about 53 million acres after adding the 34 million acres enrolled in the Conservation Reserve Program.

Total acreage idled in 1989 was 60 million acres, 30 million in the annual programs, and about 30 million acres in the CRP. So we see some gain in acreage there.

Net cash income is expected to total $52 billion to $57 billion in 1990, up from $53 billion in 1989, and this would be second only to 1988's record $57 billion.

Cash receipts from marketings are expected to be record high. Livestock receipts should be near the 1989 record of $83 billion, and crop receipts are expected to be up $2 billion to $5 billion from $75 billion in 1989, also reaching a new record high.

With income projected to be fairly strong, farmers' balance sheets should continue to improve in 1990. Farm assets are expected to increase about four percent to just over a trillion dollars, while debt rises only slightly above last year's levels of $145 billion.

Underlying the increase in total assets is an expected increase in land values of four to seven percent this year, after a seven percent increase in 1989. The result is that farm equity is expected to increase by four to five percent to around $865 billion.

The farm program outlays for fiscal year 1990 are expected to total $8.2 billion. This is down from $10.5 billion a year earlier and $25.8 billion in fiscal year 1986, the peak level. Under current law, outlays for fiscal year 1991 are expected to increase by about $3.5 billion due to higher deficiency payments for 1990 crops, especially grains, as production increases and prices fall.

The $8.2 billion estimated for 1990 includes the cost of disaster payments under the Disaster Act of 1989. However, the estimate doesn't include $1.8 billion in payments to be made under the CRP, which is now funded through direct appropriations.

So, in summary, U.S. crop production in 1990 is expected to rise and prices to fall for the major crops. However, larger crop marketings are expected to more than offset any price declines.

With crop receipts, then, expected to be record high, livestock receipts near last year's record, and overall production expenses holding steady, 1990 cash farm income should be near the record 1988 level. Farmers' overall financial position should also improve as their debt to asset ratios continue to decline.

Although the current outlook for U.S. agriculture appears bright, I think some caution is in order. Over history, real U.S. farm prices have trended almost continually downward due to gains in production efficiency. These gains have ensured the United States of being competitive in world markets. U.S. agriculture now depends upon foreign markets for about a third of its major crop production. Future U.S. competitiveness will depend to a large degree on the policies put in place during the 1990's and continuation of market oriented farm policies that began in the 1985 farm bill and which continue to be important to U.S. agriculture.

Mr. Chairman, that concludes my statement.

[CLERK'S NOTE.—Mr. Gardner's biographical sketch appears on page 306. The prepared statement of Mr. Gardner appears on pages 307 through 319. The explanatory notes appear on pages 320 through 384.]

CHANGES IN FARM OWNERSHIP

Mr. WHITTEN. Please provide for the record a table showing the number of farmers leaving agriculture for the years 1980 through 1989 and estimates for 1990 and 1991.

Mr. GARDNER. I will provide a table that shows the annual change in farm numbers since 1980. These are net figures reflecting the difference between the number leaving farming and the number of beginning farmers.

[The information follows:]

NUMBER OF FARMS AND ANNUAL CHANGE 1980–91

Year	Number	Change from previous year
1980	2,439,510	
1981	2,439,920	+410
1982	2,406,550	−33,370
1983	2,378,620	−27,930
1984	2,333,810	−44,810
1985	2,292,530	−41,280
1986	2,249,820	−42,710
1987	2,212,960	−36,860
1988	2,197,140	−15,820
1989	2,172,920	−24,220
1990 [1]	2,143,151	−29,769
1991 [1]	2,119,737	−23,414

[1] Preliminary projections based on annual net decline from Smith "Entry-Exit and the Age Distribution of Farm Operators, 1974–82" Journal of Agricultural Economics Research Vol. 39, No. 4, p–7.

Source: National Agricultural Statistics Service.

FOREIGN OWNERSHIP OF FARMLAND

Mr. WHITTEN. Would you please provide for the record, the table showing the foreign ownership of U.S. farmland for fiscal years 1980 through 1989 and estimates for 1990 and 1991?

Mr. GARDNER. I will also provide a table that shows foreign ownership of U.S. agricultural land, both farm and forest land, for calendar years 1981 through 1989. It is unlikely that there will be any dramatic changes in foreign ownership of U.S. agricultural land in 1990 and 1991.

[The information follows:]

Foreign ownership of U.S. agricultural land (million acres)

1980 [1]	NA
1981	12.7
1982	13.4
1983	13.7
1984	14.0
1985	12.1
1986	12.4
1987	12.5
1988	12.5
1989	12.9

[1] Data for 1980 are incomplete because foreign investors were not fully aware of the reporting requirements.

Mr. WHITTEN. Please describe the foreign interests that have purchased this land.

Mr. GARDNER. At the end of 1989, foreign investors reported owning 12.9 million acres of U.S. agricultural land.

Forest land accounts for 46 percent of all foreign owned acreage, cropland for 18 percent, pasture and other agricultural land for 31 percent, and agricultural land not used for agricultural purposes for 5 percent.

Foreign persons from Canada, the United Kingdom, West Germany, France, the Netherlands Antilles, Switzerland and the Netherlands account for 73 percent of the foreign held acreage. Foreign persons from Japan own only 2 percent or 295,000 acres of the foreign owned acres.

Corporations own 81 percent of the acreage, partnerships 10 percent, and individuals 7 percent. The remaining 2 percent is held by estates, trusts, associations, institutions, and others.

U.S. corporations, in which foreign persons have a significant interest or substantial control, own 60 percent of all the foreign held acreage. The remaining 40 percent is held by foreign persons not affiliated with a U.S corporation.

Foreign owners do not appear to be taking purchased agricultural land out of production. No change in intended use at the time of filing was reported for 93 percent of the acreage. Foreign owners have to file a report at the time land is purchased and they have been doing so since 1979. No subsequent reports or surveys are made.

LAND VALUES

Mr. WHITTEN. Please discuss what has happened in land values over the past 2 years and the outlook through the end of fiscal year 1991.

Mr. GARDNER. Surveys taken early in 1988 and 1989 showed values increased 6 percent each year, still leaving 1989 farmland values 19 percent less than in the peak year of 1982. Values increased 2 percent in 1988 and 1 percent in 1989 in inflation adjusted terms. In inflation adjusted terms, 1989 values are 41 percent below the 1980 peak.

Values in the Corn, Northern Plains, and Lake States fell further and have recovered more than the national average value. For example, the Northern Plains states, North Dakota, South Dakota, Nebraska, and Kansas, fell 52 percent in inflation adjusted terms during the timeframe 1980 through 1987. The increase over the last two years left values 46 percent below the 1980 inflation adjusted peak and 27 percent below the 1982 peak in nominal values. In the Corn Belt states nominal values peaked in 1981, and fell 40 percent during 1981 to 1987. The 23 percent increase during 1987 to 1988 left values 38 percent below the peak. In inflation adjusted terms, Corn Belt farmland values fell 61 percent from the peak in 1980 to the trough in 1987. The inflation adjusted 13 percent increase during 1988 to 1989 left values 56 percent below the peak.

Our current farmland value forecast is that the national average value will rise six to eight percent during calendar year 1989. The main reasons are that net farm income is rising and at record high levels, while Farm Credit System inflation adjusted interest rates are lower. Our quarterly survey of rural appraisers now asks for 3 and 12 month price forecasts. These forecasts are similar to, and of only slightly lower magnitude than our own forecasts. Our forecasts for 1990 is that land values will rise four to seven percent, but this is a quite conjectural forecast given the uncertainties about returns to land and overall interest rates in 1990 and 1991.

SOVIET AGRICULTURE

Mr. WHITTEN. What implications do the changes in the Soviet Union have for U.S. farmers?

Mr. GARDNER. The USSR remains committed to increasing its degree of food self-sufficiency in temperate crops. Domestic complaints about the ephemeral benefit of food imports, especially of grains and most particularly of wheat, are fueling the agricultural and import reform programs.

The effectiveness of the current reforms is weakened not only by resistance to innovations, but also by the government's own vacillation on the details of restructuring and the inconsistencies in the reform provisions. Implementing a consistent package of reforms will take time. In the short-term, dislocations caused by the changes may even retard production and productivity growth. In the longer term, if soviet leaders keep pursuing policies to increase worker incentives and to free individual initiative, Soviet agricultural production and productivity could improve substantially and possibly reduce the need for agricultural imports, including U.S. grains and oilseeds. For instance, crop and livestock yields are now often half the levels found in similar climatic regions of Europe and North American countries. High rates of post-production loses further cut supplies reaching Soviet consumers.

If the reforms, both agricultural and nonagricultural, are not successful, the Soviets will face even greater difficulties than at present in financing imports. Well over half of the USSR's exports are oil and gas, arms, ores, and base metals. The USSR energy sector has difficulty maintaining energy production and exports. The quality of USSR manufactured and processed exports and post-sales servicing are generally not competitive with Western standards. Furthermore, the Soviets have a substantial need for nonagricultural imports, consumer goods sold at high domestic prices to help raise state revenue and capital goods to help modernize soviet industry.

For agricultural commodities for which the United States has a comparative price advantage and are not undercut by subsidies from other exporters, the United States readily captures large shares of the Soviet market. The ability of the United States to maintain and expand agricultural exports to the USSR will depend primarily on competitive pricing arrangements, which could include credit guarantees.

BLOC COUNTRIES

Mr. WHITTEN. What about the Bloc countries?

Mr. GARDNER. U.S. farmers could see some major shifts in their East European markets. There will probably not be much of a market for U.S. grains, for the region has the potential to become a significant grain exporter. However, the region will likely place high priority on expanding domestic supplies of meat through increased production of pork and poultry, and this will mean larger imports of soybeans and meal. The United States is currently the largest supplier of soybeans to the region and these exports could increase. There is also a potential to develop new markets in Eastern Europe, beef, high value products, and possibly cotton. However, the region's imports will continue to be constrained by hard currency shortages, and as a result, price and availability of credit could be a very important consideration.

Mr. WHITTEN. It has been said that the Bloc countries, because of their climate, with modern agricultural practices could become major exporters. Please comment on this.

Mr. GARDNER. Eastern Europe does have a potential to become a significant grain exporter, although this will require appropriate policies in these countries. However, we may not see so much potential for expansion in exports of other products. The belief is prevalent among the region's economists that livestock exports may not be profitable, and the region will always be an importer of oilseeds and meals.

In the period between the two World Wars, most of the East European countries were net exporters of grain. Romania and Hungary were known as the bread basket of Europe. Even Poland, which had some of the lowest yields in Eastern Europe, was an exporter of wheat. Under current conditions, Hungary consistently exports large amounts of grain, and in good years Bulgaria, Romania, and Yugoslavia also export significant amounts. The region as a whole was a net wheat exporter in 1988/89 and is likely to be in 1989/90 as well. Net imports of feed grains have been steadily falling. Currently, further gains in production are limited by a nonoptimal farm structure, pricing, input shortages, inefficient marketing, and a crumbling infrastructure. If the ongoing reforms lead to a resolution of these problems, the potential productivity gains could enable the region to become a significant grain exporter.

Mr. WHITTEN. The 1985 Farm Bill required the Department to undertake a pilot barter program. The CCC Charter also contains extensive barter authority. What barter efforts have been made by the Department during the last five years?

Mr. GARDNER. The pilot barter program was for the exchange of surplus agricultural commodities for strategic and other materials for which the national stockpiles or reserve goal established by the law are unmet. A review of the National Defense Stockpile acquisition plan by the Department in fiscal 1986 revealed that the stockpile materials to be acquired were extremely limited. The only materials recommended to be acquired during fiscal years 1986 and 1987 were germanium, beryllium, and ferro chromium alloys. The countries where beryllium and germanium were available, Belgium, Luxembourg, and the Federal Republic of Germany, did not then meet the criteria of the pilot barter program which were countries having food and currency reserve shortages. Ferro chromium alloys were available from U.S. suppliers.

USDA also investigated the potential for barter of CCC-owned commodities for crude oil to be placed in the Strategic Petroleum Reserve, SPR. A Memorandum of Understanding between USDA/CCC and the Department of Energy, DOE, was signed on August 19, 1987. Formal proposals were made to seven countries, Algeria, Egypt, Indonesia, Iraq, Mexico, Nigeria, and Venezuela. None of these countries expressed an interest in a barter arrangement for crude oil. The countries approached rejected the barter proposal or were largely disinterested because of ready cash markets for crude oil and the preference to sell crude oil for hard currency.

The legislative requirement to complete the two pilot programs expired on September 30, 1987. Although the Department has the legal authority to pursue barter opportunities under the CCC Charter Act, the drought related reduction of CCC-owned inventories and the demand on those reduced stocks by other USDA export and domestic programs have precluded any recent barter attempts by the Department.

FARMER-OWNED RESERVE

Mr. WHITTEN. Would you please provide a table showing the amount of grain in the farmer-owned reserve at year end for each of the last five years and an estimate for calendar years 1990 and 1991? Would you please provide this information by major commodity?

Mr. GARDNER. I will provide that information for the record.

[The information follows:]

FARMER-OWNED RESERVE STOCKS, END OF YEAR

Calendar year	Major commodity				
	Wheat	Corn	Sorghum	Barley	Oats
Million bushels:					
1985	652	630	115	103	3
1986	659	1,175	97	117	4
1987	541	1,491	91	119	3
1988	381	1,048	60	59	1
1989	168	451	16	6	0
1990 [1]	75	150	10	0	0
1991 [1]	0	450	25	0	0

[1] Projected.

Mr. WHITTEN. Would you please include for the record storage payments for the farmer-owned reserve for the last 5 years?

[The information follows:]

Storage payments for farmer-owned reserve

Fiscal year:	*Millions*
1985	$329
1986	485
1987	832
1988	658
1989	174

CHANGE IN MARKET PRICES

Mr. WHITTEN. For the record please provide a table listing each of the major commodities showing their 1980 price, the current price and what the current price would have to be to equal the 1980 price.

[The information follows:]

Commodity	Units	Average price received (farm)		1988-89 equivalent of 1980-81 prices [1]
		1980-81	1988-89	
Wheat	Dollars per bushel	3.91	3.72	5.41
Corn	do	3.11	2.54	4.25
Sorghum	do	2.94	2.27	4.02
Barley	do	2.84	2.79	3.93
Oats	do	1.79	2.61	2.48
Soybeans	do	7.57	7.42	10.35
Rice	Dollars per hundred weight	12.80	6.83	17.51
Cotton	Cents per pound	74.7	56.6	102.2

[1] Based on gross national product implicit price deflator.

U.S. DOLLAR

Mr. WHITTEN. For the record, would you please provide a table that lists our ten major customers throughout the world and show, for each year for fiscal years 1980 through 1989 and the estimate for 1990 and 1991, the amount of corn, wheat, soybeans, cotton, or rice a unit of their currency would buy?

Mr. GARDNER. I will provide, for the record, tables that show the nominal and real purchasing power of one unit of currency for our major agricultural markets whose money is convertible to U.S. dollars. The data will be presented in index form for ease of comparison and will be based on a calendar year. Forecasts of prices and exchange rates will be from the WEFA group.

[The information follows:]

Bushels of U.S. corn purchasable for one unit of nominal foreign currency

Year	Omaha, #2 Yellow	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel					Index (1985=100)						
1980	3.13	81.3	73.3	112.8	155.3	116.4	126.2	165.2	99.8	69.6	779.5	77.1
1981	2.46	100.9	95.9	115.4	148.9	118.0	138.8	163.2	113.2	88.6	928.7	95.8
1982	2.83	85.3	73.8	93.5	108.8	95.8	104.9	119.2	91.7	77.0	350.8	78.5
1983	3.20	75.5	68.4	78.5	85.6	79.3	80.5	80.8	76.4	68.1	145.7	67.8
1984	2.60	88.4	84.2	86.7	91.1	86.8	86.9	88.7	90.5	83.8	128.3	84.4
1985	2.18	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	1.54	139.1	200.4	191.9	181.3	191.9	161.7	171.9	139.7	73.4	59.4	149.1
1987	2.07	108.5	173.7	172.5	155.2	172.7	134.1	145.0	111.4	49.1	19.6	131.8
1988	2.60	93.0	156.1	140.6	123.0	140.9	116.4	122.4	99.7	26.6	9.5	125.0
1989	2.27	110.7	166.0	149.4	132.9	149.4	122.5	138.8	122.1	26.0	10.0	145.5
1990	1.87	134.6	198.9	192.7	169.0	192.9	138.1	171.8	148.7	27.3	10.5	181.7
1991	2.09	118.4	197.5	179.8	155.1	180.1	127.6	157.9	133.6	21.5	8.2	169.2

Bushels of U.S. corn purchasable for one inflation-adjusted unit of currency

Year	Omaha, #2 Yellow	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel					Index (1985=100)						
1980	3.13	56.9	63.9	93.3	80.4	94.8	89.2	92.8	70.7	36.1	72.5	63.6
1981	2.46	79.3	87.8	101.5	92.1	102.6	109.8	105.1	97.4	50.7	110.5	92.0
1982	2.83	74.3	69.4	86.4	78.4	88.2	90.1	87.8	84.5	50.6	66.7	77.5
1983	3.20	69.6	65.5	75.1	70.8	75.1	72.3	66.7	72	51.9	55.8	67.9
1984	2.60	85.0	82.5	84.9	83.5	84.9	81.9	81.5	88.3	74.8	81.4	84.5
1985	2.18	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	1.54	144.9	201.6	191.5	192.0	192.1	167.2	187.0	143.6	90.9	110.7	150.1
1987	2.07	117.9	174.9	172.7	172.1	171.6	144.6	166.1	118.0	72.9	84.7	133.5
1988	2.60	105.2	158.3	142.2	143.3	141.0	131.5	136.9	113.1	46.3	87.6	128.1
1989	2.27	131.5	172.4	155.6	164.7	152.0	149.1	177.9	146.7	54.3	110.8	156.6
1990	1.87	167.5	209.0	205.3	220.8	199.9	179.3	232.0	190.2	68.3	140.6	203.8
1991	2.09	154.1	210.7	195.7	212.7	190.2	171.3	224.8	180.6	63.9	131.3	198.1

Bushels of U.S. wheat purchasable for one nominal unit of foreign currency

Year	Kansas City No. 1 HRW	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel					Index (1985=100)						
1980	4.47	84.6	76.3	117.4	161.6	121.1	131.3	171.9	103.8	72.5	811.3	80.2
1981	4.26	86.6	82.3	99.1	127.8	101.2	119.1	140.1	97.2	76.1	797.1	82.2
1982	3.93	91.2	79.0	100.0	116.4	102.5	112.2	127.6	98.1	82.4	375.5	84.0
1983	3.83	93.7	85.0	97.5	106.3	98.4	99.9	100.3	94.9	84.6	180.9	84.1
1984	3.70	92.3	87.9	90.6	95.2	90.6	90.8	92.6	94.5	87.6	134.0	88.1
1985	3.24	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	2.71	117.5	169.2	162.1	153.1	162.1	136.6	145.2	118.0	62.0	50.2	125.9
1987	3.05	109.4	175.2	174.0	156.5	174.2	135.3	146.3	112.4	49.6	19.8	132.9
1988	4.18	86.0	144.3	129.9	113.7	130.2	107.6	113.1	92.2	24.6	8.8	115.5
1989	4.20	88.9	133.4	120.0	106.7	120.0	98.4	111.5	98.0	20.8	8.0	116.9
1990	3.06	122.2	180.7	175.0	153.5	175.2	125.4	156.0	135.1	24.8	9.6	165.1
1991	2.74	134.2	223.9	203.8	175.8	204.1	144.6	179.0	151.5	24.3	9.3	191.9

Bushels of U.S. wheat purchasable for one inflation-adjusted unit of foreign currency

Year	Kansas City No. 1 HRW	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel					Index (1985=100)						
1980	4.47	59.2	66.5	97.1	83.7	98.7	92.8	96.6	73.6	37.5	75.4	66.2
1981	4.26	68.1	75.4	87.1	79.1	88.1	94.2	90.2	83.6	43.5	94.9	79.0
1982	3.93	79.5	74.3	92.5	83.9	94.4	96.4	93.9	90.5	54.2	71.3	83.0
1983	3.83	86.4	81.4	93.2	88.0	93.2	89.7	82.8	90.5	64.5	69.3	84.3
1984	3.70	88.8	86.2	88.7	87.2	88.7	85.6	85.1	92.3	78.1	85.0	88.2
1985	3.24	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	2.71	122.4	170.2	161.8	162.2	162.2	141.2	157.9	121.3	76.8	93.5	126.8
1987	3.05	118.9	176.4	174.2	173.6	173.1	145.8	167.5	119.0	73.5	85.5	134.7
1988	4.18	97.3	146.3	131.5	132.5	130.4	121.6	135.8	104.5	42.8	81.0	118.4
1989	4.20	105.7	138.5	125.0	132.3	122.1	119.8	142.9	117.9	43.6	89.0	125.8
1990	3.06	152.1	189.8	186.4	200.5	181.6	162.8	210.7	172.8	62.1	127.7	185.1
1991	2.74	174.7	238.8	221.9	241.2	215.6	197.6	254.8	204.8	72.4	148.9	224.6

Bushels of U.S. soybeans purchasable for one nominal unit of foreign currency

Year	Central Illinois Soybeans	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel						Index (1985=100)					
1980	7.35	80.6	72.6	111.7	153.8	115.2	124.9	163.6	98.8	69.0	772.1	76.3
1981	6.00	96.2	91.4	110.1	141.9	112.5	132.3	155.6	107.9	84.5	885.6	91.4
1982	6.23	90.1	77.9	98.7	114.9	101.2	110.8	126.0	96.8	81.4	370.6	82.9
1983	7.46	75.3	68.3	78.4	85.4	79.1	80.3	80.6	76.2	68.0	145.4	67.6
1984	5.69	93.9	89.5	92.2	96.8	92.2	92.4	94.2	96.2	89.1	136.4	89.7
1985	5.07	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	4.89	101.9	146.8	140.6	132.8	140.6	118.4	125.9	102.3	53.8	43.5	109.2
1987	6.80	76.8	123.0	122.1	109.8	122.2	94.9	102.7	78.9	34.8	13.9	93.3
1988	7.18	78.3	131.4	118.4	103.6	118.7	98.0	103.1	84.0	22.4	8.0	105.2
1989	5.88	99.4	149.1	134.1	119.3	134.1	110.0	124.6	109.6	23.3	9.0	130.6
1990	5.32	110.0	162.6	157.5	138.1	157.7	112.9	140.4	121.6	22.3	8.6	148.6
1991	5.32	108.2	180.5	164.3	141.7	164.5	116.6	144.3	122.1	19.6	7.5	154.6

Bushels of U.S. soybeans purchasable for one inflation-adjusted unit of foreign currency

Year	Central Illinois Soybeans	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel						Index (1985=100)					
1980	7.35	56.3	63.3	92.4	79.7	93.9	88.3	91.9	70.0	35.7	71.8	63.0
1981	6.00	75.6	83.7	96.8	87.9	97.9	104.7	100.2	92.8	48.3	105.4	87.7
1982	6.23	78.4	73.3	91.3	82.8	93.2	95.2	92.7	89.3	53.5	70.4	81.9
1983	7.46	69.4	65.4	74.9	70.7	74.9	72.1	66.6	72.7	51.8	55.7	67.7
1984	5.69	90.4	87.7	90.2	88.7	90.2	87.1	86.6	93.9	79.5	86.5	89.8
1985	5.07	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	4.89	106.2	147.6	140.3	140.6	140.7	122.5	137.0	105.2	66.6	81.1	110.0
1987	6.80	83.5	123.8	122.2	121.8	121.5	102.3	117.6	83.5	51.6	60.0	94.5
1988	7.18	88.6	133.3	119.8	120.7	118.8	110.8	123.7	95.2	39.0	73.8	107.9
1989	5.88	118.1	154.8	139.7	147.9	136.4	133.9	159.7	131.7	48.8	99.5	140.6
1990	5.32	136.9	170.9	167.8	180.5	163.4	146.5	189.7	155.5	55.8	114.9	166.6
1991	5.32	140.8	192.5	178.8	194.4	173.7	159.3	205.4	165.0	58.4	120.0	181.0

Pounds of U.S. cotton purchasable for one nominal unit of foreign currency

Year	Average spot price	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per pound					Index (1985=100)						
1980	0.83	83.4	75.1	115.7	159.2	119.3	129.3	169.4	102.3	71.4	799.3	79.0
1981	0.61	110.5	104.9	126.4	163.0	129.1	151.9	178.7	123.9	97.0	1016.7	104.9
1982	0.63	105.1	91.0	115.2	134.1	118.2	129.3	147.0	113.0	95.0	432.6	96.7
1983	0.73	89.9	81.5	93.5	102.0	94.4	95.8	96.2	91.0	81.1	173.5	80.7
1984	0.61	102.6	97.7	100.6	105.7	100.7	100.8	102.9	105.0	97.3	148.9	97.9
1985	0.60	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	0.53	111.3	160.3	153.5	145.0	153.5	129.3	137.5	111.8	58.7	47.5	119.2
1987	0.64	95.4	152.8	151.7	136.5	151.9	118.0	127.6	98.0	43.2	17.3	115.9
1988	0.57	116.0	194.5	175.2	153.3	175.6	145.1	152.6	124.3	33.1	11.8	155.8
1989	0.66	103.7	155.5	140.0	124.5	140.0	114.8	130.0	114.3	24.3	9.4	136.3
1990	0.67	102.6	151.7	147.0	128.9	147.1	105.3	131.0	113.4	20.8	8.0	138.6
1991	0.65	104.5	174.3	158.6	136.8	158.9	112.6	139.3	117.9	18.9	7.2	149.3

Pounds of U.S. cotton purchasable for one inflation-adjusted unit of foreign currency

Year	Average spot price	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per bushel					Index (1985=100)						
1980	0.83	58.3	65.5	95.7	82.5	97.2	91.4	95.2	72.5	37.0	74.3	65.2
1981	0.61	86.8	96.1	111.1	100.9	112.4	120.2	115.1	106.6	55.5	121.0	100.7
1982	0.63	91.6	85.6	106.6	96.7	108.8	111.1	108.2	104.2	62.4	82.2	95.6
1983	0.73	82.9	78.0	89.4	84.3	89.4	86.0	79.4	86.8	61.8	66.5	80.8
1984	0.61	98.7	95.7	98.5	96.8	98.5	95.1	94.6	102.5	86.8	94.4	98.0
1985	0.60	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	0.53	115.9	161.2	153.2	153.6	153.7	133.7	149.6	114.9	72.7	88.5	120.1
1987	0.64	103.7	153.8	151.9	151.4	151.0	127.2	146.1	103.8	64.1	74.5	117.4
1988	0.57	131.1	197.3	177.3	178.6	175.8	163.9	183.1	141.0	57.7	109.2	159.7
1989	0.66	123.2	161.5	143.7	154.3	142.3	139.7	166.6	137.4	50.9	103.8	146.7
1990	0.67	127.7	159.4	156.6	168.4	152.5	136.7	172.0	145.1	52.1	107.2	155.5
1991	0.65	136.0	185.9	172.5	157.7	167.9	153.8	198.4	159.4	56.4	115.9	174.8

Pounds of U.S. rice purchasable for one nominal unit of foreign currency

Year	Arkansas long grain rice	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per CWT					Index (1985=100)						
1980	24.95	77.4	69.7	107.3	147.7	110.7	120.0	157.1	94.9	66.3	741.5	73.3
1981	21.11	89.2	84.7	102.0	131.5	104.2	122.6	144.2	100.0	78.3	820.6	84.7
1982	17.66	103.6	89.6	113.6	132.1	116.4	127.4	144.9	111.4	93.6	426.3	95.3
1983	18.66	98.1	89.0	102.1	111.4	103.1	104.6	105.0	99.4	88.6	189.5	88.1
1984	18.09	96.3	91.8	94.5	99.3	94.5	94.7	96.7	98.6	91.4	139.9	92.0
1985	16.53	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	11.87	136.8	197.1	188.8	178.4	188.8	159.1	169.1	137.5	72.2	58.5	146.7
1987	19.42	87.7	140.4	139.4	125.4	139.6	108.4	117.2	90.0	39.7	15.9	106.5
1988	15.90	115.3	193.5	174.3	152.5	174.7	144.3	151.8	123.7	32.9	11.7	154.9
1989	15.15	125.7	188.7	169.8	151.0	169.8	139.2	157.7	138.7	29.5	11.3	165.3
1990	14.64	130.3	192.6	186.6	163.7	186.9	133.7	166.4	144.1	26.4	10.2	176.0
1991	14.29	131.3	219.0	199.4	172.0	199.7	141.5	175.1	148.2	23.8	9.1	187.7

Pounds of U.S. rice purchasable for one inflation-adjusted unit of foreign currency

Year	Arkansas long grain rice	Canada Dollars	Japan Yen	West Germany Mark	Italy Lira	Netherlands Guilder	U.K. Pound	Spain Peseta	South Korea Won	Egypt Pound	Mexico Peso	Taiwan New Dollar
	Dollars per CWT					Index (1985=100)						
1980	24.95	54.1	60.8	88.7	76.5	90.2	84.8	88.3	67.3	34.3	69.0	60.5
1981	21.11	70.1	77.6	89.7	81.4	90.7	97.0	92.9	86.0	44.8	97.7	81.3
1982	17.66	90.2	84.4	105.0	95.3	107.2	109.5	106.6	102.7	61.5	81.0	94.2
1983	18.66	90.5	85.2	97.6	92.1	97.6	94.0	86.7	94.8	67.5	72.6	88.3
1984	18.09	92.7	89.9	92.5	91.0	92.5	89.3	88.8	96.3	81.5	88.7	92.0
1985	16.53	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	11.87	142.6	198.3	188.4	188.9	189.0	164.5	184.0	141.3	89.5	108.9	147.7
1987	19.42	95.3	141.4	139.6	139.1	138.7	116.8	134.2	95.3	58.9	68.5	107.9
1988	15.90	130.5	196.2	176.4	177.7	174.9	163.1	182.1	140.2	57.4	108.6	158.8
1989	15.15	149.4	195.9	176.8	187.2	172.6	169.4	202.1	166.7	61.7	125.9	177.9
1990	14.64	162.2	202.4	198.6	213.8	193.6	173.6	224.7	184.3	66.2	136.1	197.4
1991	14.29	170.9	233.6	217.3	235.9	210.9	193.3	219.3	200.3	70.8	145.6	219.7

EUROPEAN COMMUNITY SUBSIDIES

Mr. WHITTEN. How much is the European Community spending on agricultural subsidies?

Mr. GARDNER. European Community, EC, spending on agricultural support increased 143 percent between 1980 and 1988 as a result of sharp increases in EC commodity surpluses and, consequently, large outlays for storage and exports. The EC spent 25.84 billion European Currency Units, ECU, or $28.32 billion on agricultural support in 1989, 10 percent below expenditures for 1988. EC support for agriculture accounted for 57 percent of the total EC budget in 1989 compared to 66 percent in 1988. Market support accounted for 94 percent of total spending in 1989 with the remainder devoted to structural programs.

Spending on market support operations, Guarantee Fund, totalled 24.41 billion ECU, $26.75 billion, in 1989. This represents a decline of almost 12 percent from the record EC spending in 1988 due to firm world prices for grains and oilseeds, a strengthening in the value of the dollar vis-a-vis the ECU and, therefore, lower export refunds, and smaller harvests in the fruit and vegetable and wine sectors. EC spending on structural programs, Guidance Fund, totaled 1.43 billion ECU, $1.57 billion, in 1989, 19 percent more than a year ago. The Guidance Section has been expanded in recent years to assist under-developed regions in the EC through structural schemes, farm investment aid, aid to young farmers, training, etc.

The EC overspent its agricultural budget in 1987 so that the last two months of farm spending for 1987 had to be carried over into 1988. Had it not been for the 1988 North American drought, the EC may have faced an even more severe budget crisis in 1988. The EC accounting year now ends on October 15.

EC budget expenditures for agriculture in 1990 are forecast by the EC Commission to increase to around 28.10 billion ECU, $30.79 billion. This is 3 percent lower than the record 1988 level of expenditures but nearly 9 percent higher than in 1989. Market support operations for grains, sugar, oils and fats, and fruits and vegetables are all expected to rise in 1990 while subsidies for dairy and meats and eggs are forecast to decrease. Expenditures for structural programs are set to increase.

I will provide a table and chart for the record summarizing EC agricultural spending.

[The information follows:]

EC agricultural spending by commodity and economic type

	1980	1981	1982	1983	1984	1985	1986	1987 1/	1988 2/	1989 3/	1990 4/
	Million ECUs										
Guarantee Fund 5/											
Grains 6/	1,728	1,943	1,875	2,534	1,698	2,361	3,486	4,237	4,337	3,234	4,479
Export refunds	1,219	1,224	1,106	1,593	945	1,113	1,804	3,166	2,986	NA	NA
Intervention	509	720	769	941	753	1,248	1,682	1,071	1,352	NA	NA
Sugar	575	768	1,242	1,316	1,632	1,805	1,726	2,036	2,082	1,990	2,125
Export refunds	286	409	744	758	1,190	1,353	1,238	1,516	1,566	NA	NA
Intervention	289	358	498	558	442	452	487	520	516	NA	NA
Oils and fats	687	1,025	1,214	1,621	1,752	1,803	2,632	3,827	3,917	4,142	5,014
Export refunds	4	8	13	13	9	23	32	87	89	NA	NA
Intervention	684	1,017	1,201	1,608	1,744	1,780	2,600	3,739	3,828	NA	NA
Dairy	4,752	3,343	3,328	4,396	5,442	5,933	5,406	5,013	5,915	4,991	4,340
Export refunds	2,746	1,886	1,521	1,327	1,943	2,028	2,155	2,258	3,014	NA	NA
Intervention	2,006	1,456	1,806	3,069	3,498	3,905	3,251	2,755	2,901	NA	NA
Meat, poultry and eggs	1,618	1,867	1,626	2,310	3,246	3,477	4,348	3,033	4,179	4,397	3,943
Export refunds	893	1,042	844	1,072	1,620	1,505	1,387	1,141	1,135	NA	NA
Intervention	725	825	782	1,239	1,627	1,972	2,961	1,892	3,044	NA	NA
Fruits and vegetables	687	641	914	1,196	1,455	1,231	986	967	708	1,016	1,296
Export refunds	41	43	60	58	59	75	77	67	65	NA	NA
Intervention	646	598	855	1,138	1,396	1,156	909	900	644	NA	NA
Other products	969	1,316	1,894	2,057	2,772	2,908	3,014	3,150	4,364	4,190	4,561
Export refunds	264	327	477	399	438	491	546	654	689	NA	NA
Intervention	705	990	1,417	1,658	2,334	2,417	2,468	2,496	3,675	NA	NA
Total market organization	11,016	10,903	12,093	15,431	17,996	19,517	21,598	22,262	25,503	23,960	25,778
Monetary support	299	238	313	489	376	190	482	655	570	363	171
Other compensation	0	0	0	0	0	136	114	259	346	86	503
Depreciation of stocks	-	-	-	-	-	-	-	-	1,240	NA	NA
Guarantee Fund, total 5/	11,315	11,141	12,406	15,920	18,372	19,843	22,193	23,176	27,658	24,409	26,452
Guidance Fund, total 7/	580	576	650	728	676	720	774	909	1,203	1,434	1,648
Total agricultural spending	11,895	11,717	13,056	16,648	19,048	20,563	22,967	24,085	28,861	25,843	28,100
Exchange rate ($/ECU)	1.3923	1.1165	0.9797	0.8902	0.7890	0.7631	0.9837	1.1544	1.1825	1.0958 8/	1.0958 8/
Total agricultural spending (million $)	16,561	13,082	12,791	14,909	15,029	15,692	22,593	27,804	34,128	28,319	30,792
Agriculture's share of total EC budget (%)	73.0	64.6	63.1	66.7	69.9	73.2	65.3	67.3	65.9	57.4	60.1

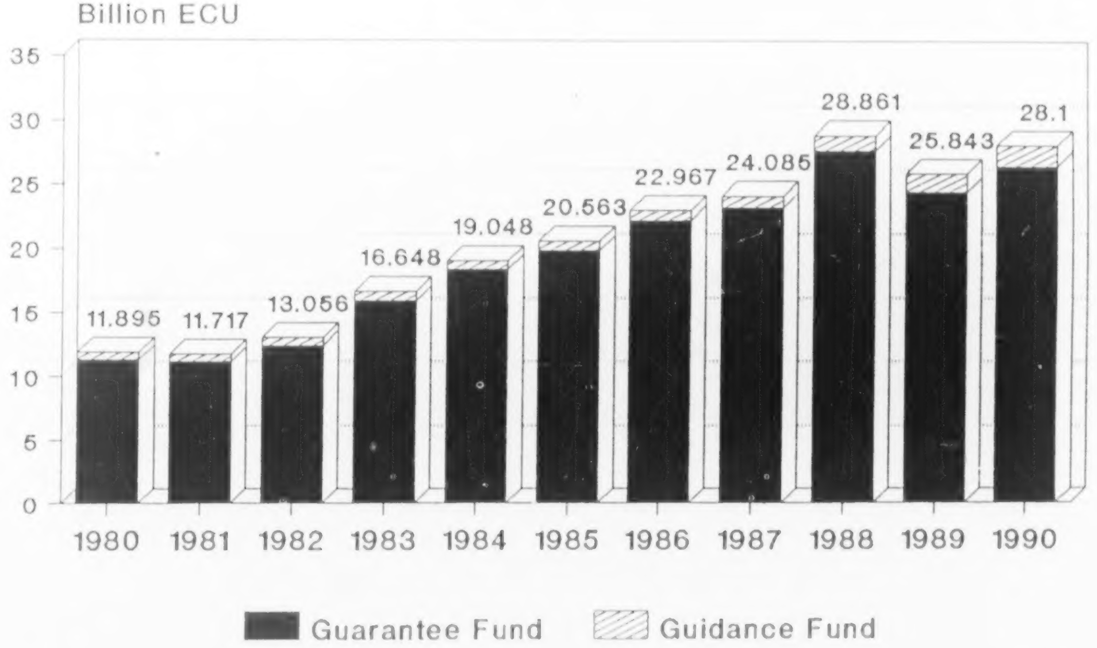
NA = not available.

Totals may not add in some cases due to rounding.

1/ Expenditure charged against the 1987 budget (Jan. 1, 1987 to Oct. 31, 1987); remainder of year budgeted against 1988.
2/ Expenditure charged against the 1988 budget (Nov. 1, 1987 to Oct. 15, 1988); remainder of year budgeted against 1989.
3/ Expenditure charged against the 1989 budget (Oct. 16, 1988 to Oct. 15, 1989); remainder of year budgeted against 1990.
4/ Appropriations.
5/ Market support.
6/ Includes rice.
7/ Structural programs.
8/ Average of rates for Jan.- Nov. 1989.

Sources: Gardiner, Walter H., and Michael T. Herlihy, "EC Expenditures on Agricultural Support." Western Europe: Agriculture and Trade Report, July 1989, and Commission of the European Communities.

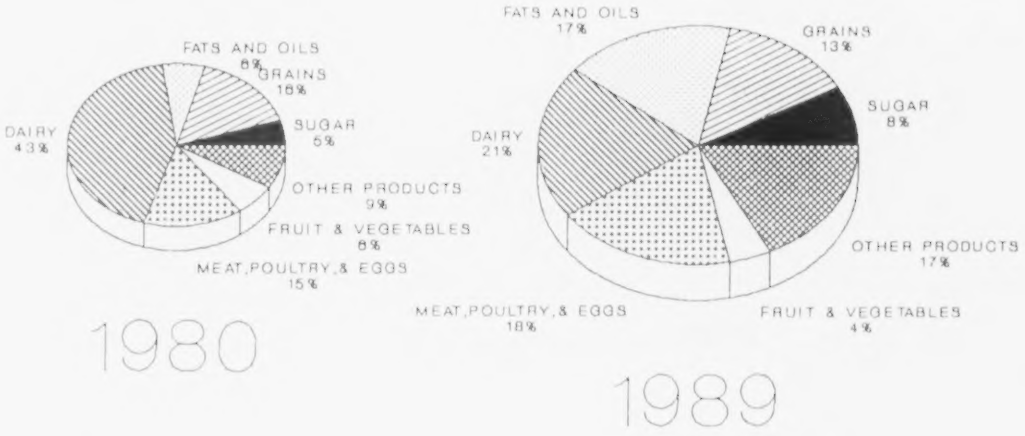
EC AGRICULTURAL SPENDING BY ECONOMIC TYPE



Mr. WHITTEN. Would you please describe for the record what these subsidies are and how they are used?

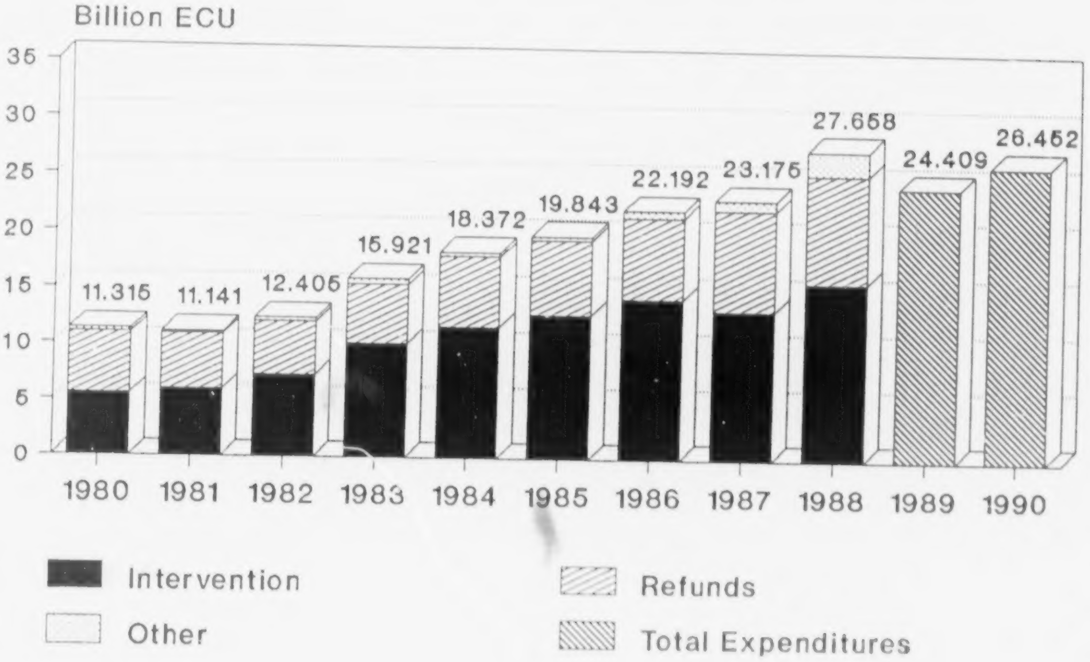
[The information follows:]

EC AGRICULTURAL MARKET SUPPORT BY COMMODITY *



* Referred to as Guarantee Fund.

EC AGRICULTURAL MARKET SUPPORT BY ECONOMIC TYPE *



* Referred to as Guarantee Fund.

European Community (EC) agricultural subsidies consist of market support (export refunds, intervention measures, and other expenditures) and structural programs (farm investment aid, aid to young farmers, training, etc.). Export refunds in 1988 accounted for 33 percent of total EC agricultural expenditures with another 55 percent going for intervention measures including storage aids, production aids, processing subsidies, feed subsidies, and income aids. Expenditures for other market support programs (monetary support, other compensation, and depreciation of stocks) represented nearly 8 percent of the agricultural budget while expenditures for structural programs accounted for only 4 percent.

The largest share of EC agricultural market support subsidies went to the dairy sector, 21 percent in 1989, followed by meats and eggs, 18 percent, fat and oils, 17 percent, grains, 13 percent, sugar, 8 percent, and fruit and vegetables, 4 percent. There have been significant changes in the shares of the budget devoted to the various commodity sectors since 1980 with the most notable being the sharply reduced share of the budget going to dairy, from 43 percent to 21 percent, and the substantially larger share going to fats and oils, from 6 percent to 17 percent. Dairy accounted for nearly a third of the export subsidies in 1988, followed by grains, 30 percent, sugar, 16 percent, and beef and veal, 9 percent. In terms of intervention expenditures, oils and fats accounted for around 17 percent, followed by dairy, 16 percent, beef and veal, 10 percent, and grains, 8 percent.

EC agricultural market support by economic type and by commodity.

ARTIFICIAL TRADE BARRIERS

Mr. WHITTEN. What artificial trade barriers are in use?

Mr. GARDNER. The European Community uses a variety of regulations which they justify on social, economic, or health grounds but which, in fact, are artificial barriers to trade. I will provide both a comprehensive list of EC trade practices prepared by the USDA and a summary of some of the most important of these measures.

[The information follows:]

Trade Practices Impeding Imports From the United States

Commodity	Policy or Practice	Reason for the Barrier	1987 Imports From the U.S. (US$ Million)
Wheat and wheat flour	Variable levy and related support policies	Producer protection	88.6 *
Feed grains	Same as above	Same as above	184 *
Rice	Same as above	Same as above	79 *
Oilseeds and products	Crushing subsidies for oilseeds	Producer support	2,643 a/
Soy protein	Use in meat is banned	Consumer protection	18
Margarine (France, Belgium)	Illegal to advertise on television in France; BAPSA tax b/ in France discriminates against soybean oil; value added tax in France and Belgium is higher than on butter	Protection of butter and of domestic oil processors	0
Field peas and beans	Production and processing aids	Producer support	0
Seeds for planting	Production subsidy, especially for forage seed; certification requirements; import tax on seed corn; discriminatory application of relabeling requirements in Italy; state trading and retail ceiling prices which imports cannot meet in Greece; discriminatory phytosanitary requirements for corn and sorghum seed	Same as above	150 *

Trade Practices Impeding Imports From the United States (Cont.)

Commodity	Policy or Practice	Reason for the Barrier	1987 Imports From the U.S. (US$ Million)
Bull semen	Animal health regulations in several member states	Protect animal health	17 *
Beef	Variable levy and related support; Third Country Meat Directive; Hormone ban	Producer support and protection	33 *
Pork	Variable levy; Third-Country Meat Directive	Producer protection	3
Poultry	Variable levy; meat packing and animal health regulations	Same as above; food and animal health protection	14
Variety meats	Variable levy and related support; Third Country Meat Directive; Hormone ban	Producer support and protection	113
Eggs	Variable levy	Producer protection	5
Oranges, lemons	Preferential tariffs	Protection of domestic and Mediterranean suppliers	12 1/
Raisins	Processing subsidy; minimum import price; two-tiered pricing system	Producer support	57
Dried prunes	Same as above	Same as above	45
Canned peaches	Processing subsidy; tariff; levy on added sugar	Producer protection	0.2 2/
Canned fruit cocktail	Same as above	Same as above	2 2/

Trade Practices Impeding Imports From the United States (Cont.)

Commodity	Policy or Practice	Reason for the Barrier	1987 Imports From the U.S. (US$ Million)
Almonds	Tariff	Same as above	259
Walnuts	Same as above	Same as above	86
Kiwifruit	Capital grants; interest subsidies; vineyard replacement subsidies	Divert production from grapes and other surplus crops	5 2/
Orange and lemon oils	Processing subsidies;	Producer tariff protection	7 2/
Canned sweet corn	Variable levy	Same as above	22 *
Tobacco	Premiums for buying domestic leaf; preferential tariff	Producer support and protection; preference for developing countries	460 *
Hardwood logs	Fumigation Requirements	Protection of domestic forests	53
Softwood plywood	Tariff quota; standards	Producer protection	135 *
	(Portugal only)		
Corn	Variable levies still higher than for the EC	Same as above	43
Soybeans	Quota on domestic use of soybean oil	Protection of domestic producers of olive oil and other competing vegetable oils	119
Sunflowerseed	Subsidies to sunflowerseed producers in other EC members	Disposal of EC surplus	0.03 *

Trade Practices Impeding Imports From the United States (Cont.)

Commodity	Policy or Practice	Reason for the Barrier	1987 Imports From the U.S. (US$ Million)
Vegetable oil	Labeling requirements; production and processing aids (Spain only)	Protect domestic suppliers	0.02
Soybeans	Soybean oil consumption quota; price fixed at artificially high level to discourage consumption; import tax	Protect domestic producers of competing vegetable oils	325 *
Soybean oil	Export subsidy; Labelling requirements	Producer protection	0.03
Sunflowerseed oil	Same as above	Same as above	3.70
Confectionery sunflowerseed	Processors may be required to use three units of domestic seed for every unit imported in Spain; high import duty on roasted product	Same as above	NA

Note: Trade data are U.S. export statistics.
* Indicates EC imports of this product would increase at least $5 million (or at least 100 percent if present trade is under $5 million) if the import policy or the constraint were removed.
a/ Negligible
b/ Tax based on linolenic acid content of vegetable oil.
1/ Includes limes and tangerines.
2/ 1986 data used.

Source: U.S. Department of Agriculture, Foreign Agricultural Service, Trade Policies and Market Opportunities for U.S. Farm Exports: 1988 Annual Report, Feb. 1989, pp. 80-89.

Hormone ban.—The EC has banned the use of all hormones, natural and synthetic, in livestock production except certain hormones used for therapeutic purposes. On January 1, 1989 the EC hormone ban on meat imports from third countries took effect, cutting off approximately $100 million of U.S. meat exports to the EC. As a result of a partial resumption of U.S. meat exports to the EC under the April 1989 Interim Agreement, we have suspended the 100 percent tariff on EC uncooked hams and on canned tomato sauce. The United States is currently working with the EC to include dairy cow meat and offals under the Interim Agreement in order to further increase exports of U.S. meat to the EC.

Third country red meat directive.—The EC set minimum health standards for meat packing establishments effective April 1, 1988. The EC standards prohibit certain practices which are common in the United States, and thereby may limit U.S. access to that market. Certified U.S. plants have maintained trade with the EC, however, the U.S. continues to monitor the situation.

Harmonized sanitary and phytosanitary regulations and standards.—As the EC adopts harmonized regulations and standards associated with the 1992 single internal market, the U.S. will strongly resist any attempt by the EC to erect new artificial barriers. We will continue to seek a commitment that the EC adopt legislation on food safety, veterinary, and phytosanitary measures based on appropriate scientific evidence. Of the 100 directives relating to agriculture, about 75 concern harmonization of phytosanitary and veterinary measures. The remainder concern food safety and processed food legislation.

Restrictions on apple imports.—On February 6, 1988 the EC published a regulation implementing a surveillance system for apple imports. The system required import licenses and a deposit for all applies imported into the EC through August 31, 1988. On April 20, 1988, the EC implemented a system of import quotas on applies. Two days later the issuance of licenses from "other countries" including the United States was suspended. USDA estimates about $5 million in U.S. apple exports to the EC, both direct and indirect, were lost in 1988 due to the quantitative restrictions. The EC set a quota of 581,000 tons of apples from the United States and southern hemisphere countries for the 1989 season, somewhat above the 1988 quota of 521,731 tons. A GATT panel report, however, has found the quota set unilaterally by the EC in 1988 to be illegal and since Sept. 1989, the case has been pending in the European Court of Justice. U.S. exports of apples to the EC totalled $12 million in 1989.

Linolenic acid.—A Portuguese decree of September 28, 1988 requires that any vegetable oil containing more than two percent linolenic acid must be labeled as "oil for seasoning," whereas oils with a linolenic acid content at or below two percent are labeled as "oils for seasoning and frying." Soybean oil has a linolenic acid content ranging from 5-10 percent. The regulation was to go into effect on January 1, 1990 but has been postponed for one year. The Government of Portugal contends that the labeling requirement is not based on public health concerns but rather was established to provide important consumer information to the public. The U.S. is concerned that the labeling restriction is GATT illegal and may restrict consumption and imports of vegetable oils and oilseeds. U.S. exports of oilseeds and products to Portugal totalled $87 million in 1989.

Bovine Samototropin (BST).—The EC Commission and Council of Ministers have agreed to ban the use of BST at least until December 1990 to permit further study. At that time, a decision will be made to ban or approve the drug. The EC has not decided whether or not it would ban dairy products made in countries using BST in the event that the EC might ban BST. If the beef hormone case serves as a precedent for the BST decision, a BST ban on use by EC farmers would be accompanied by an import ban on dairy products from BST-using countries. If the U.S. uses BST and the EC bans it, U.S. dairy product exports to the EC, valued at nearly $25 million in 1988/1989, would be threatened.

Proposed Security Deposit Scheme for Imported Peas and Beans.—On Jan. 29, 1990, the United States, Canada and Australia delivered a joint Demarche to the EC Commission expressing concern about the Commission's proposal for a security deposit scheme for imported field peas and beans which are used for feed purposes in the EC. The three countries claimed that there was no legitimate reason for the scheme which would amount to a nontariff barrier. Australia estimates the security deposit scheme as equivalent to a 3 to 5 percent ad valorem duty. The EC claims that the scheme is needed to prevent fraud for claims on processing subsidies in the Community.

AGRICULTURAL IMPORTS

Mr. **Whitten**. Over the past ten years, what agricultural imports are gaining in market share? What factors are responsible for the rise in import of these products?

Mr. **Gardner**. There are several reasons for the increase in market share. During the 1980's, the strengthening of the dollar's value against the currencies of many countries which export to the United States lowered the cost of imports by the United States.

Southern Hemisphere countries have increased their capability to ship fruits and vegetables to the United States during the winter months when U.S. production is at its lowest point. For example, Chile has expanded its shipments of fresh fruit to the U.S. dramatically in the last 10 years.

More frequent freezes in the U.S. citrus growing areas during the last 10–15 years have resulted in increase reliance on foreign suppliers.

The Caribbean Basin Initiative, signed in 1983, allowed 27 Caribbean and Central American countries duty-free access to U.S. markets for a minimum of 12 years.

High demand for oat bran in the United States and a change in the U.S. price support policy pertaining to oat and barley production have contributed to higher oat imports since 1985.

I will provide a table that shows the 20 agricultural products for which the import share of domestic consumption increased the most during the years between 1975 and 1987.

[The information follows:]

IMPORT SHARE OF FOOD SUPPLY FOR DOMESTIC CONSUMPTION BY COMMODITY, 1975, 1985, AND 1987

[In percent]

Commodity	1975	1985	1987	Absolute change (1987 minus 1975)
Broccoli for processing	4.9	22.2	49.0	44.1
Cauliflower for processing	.0	23.8	36.5	36.5
Rye	.0	64.7	34.3	34.3
Frozen citrus juice	14.3	50.9	45.7	31.4
Dry edible peas and lentils	7.4	15.7	38.6	31.2
Edible syrups and molasses	34.7	57.4	65.2	30.5
Grapes, fresh	6.7	25.9	35.5	28.8
Oats	.1	5.1	10.5	10.4
Canned fruits	4.3	17.0	13.1	8.8
Asparagus, fresh market	9.6	6.7	18.1	8.5
Onions, fresh	2.9	7.0	9.6	6.7
Lamb and mutton	6.3	9.6	12.2	5.9
Rice	.1	5.0	5.6	5.5
Green peas for freezing	.0	3.9	4.6	4.6
Vegetable oils	14.3	18.4	18.7	4.3
Pork	3.7	7.2	7.8	4.1
Tomatoes for processing	1.9	7.0	5.1	3.2
Asparagus for canning	7.6	9.4	10.4	2.8
Pasta	2.6	6.0	5.4	2.8
Broccoli fresh market	.0	.6	2.6	2.6

PALM OIL

Mr. **Whitten**. What impact have health concerns had on the world market for palm oil? What is the future outlook?

Mr. **Gardner**. Consumer concern over palm oil's relatively high saturated fat content, 51 percent versus soybean oil's 15 percent, has been restricted largely to the United States. U.S. edible palm oil use has declined sharply since 1985-86 as food processors switched to vegetable oils with lower saturated fat levels. All palm oil used in the United States is imported, but imports are relatively small, so reduced U.S. food use has had only a small impact on world trade or prices. The EC is the only other market likely to reduce palm oil use because of health concerns, and the region is a major palm oil importer and consumer. However, there are no indications of health concerns in the EC, so the issue of palm oil's healthiness is unlikely to influence future market developments.

U.S. consumer concern dates to 1986 when the American Soybean Association, ASA, launched a campaign highlighting the health benefits of soybean oil. Several health organizations subsequently began promoting the use of oils low in saturated fats. Palm oil producers vigorously deny adverse health claims, and have mounted an information campaign and funded extensive medical studies. In August 1989, the ASA revised its campaign and dropped direct references to palm oil.

U.S. edible use of palm oil has fallen steadily from 233,000 metric tons in 1985-86 to an estimated 76,000 tons in 1989-90. Edible use accounts for just over 60 percent of total palm oil use. Palm oil's share in U.S. total edible oil use has always been small, and is forecast at just over 1 percent in 1989-90. Soybean oil dominates edible vegetable oil use, accounting for over 80 percent.

Lower use has meant lower U.S. imports. Purchases fell from 277,000 tons in 1985-86 to an estimated 125,000 in 1989-90. U.S. imports are expected to account for just 4 percent of the world market this year. In 1975-76, the peak import year, U.S. purchases accounted for over 16 percent of world trade.

Rising production and demand and very favorable prices relative to other vegetable oils have made palm oil the number one traded vegetable oil in the world. Estimated world trade of 6.2 million tons in 1989-90 accounts for one third of the world's vegetable oil trade. Palm oil's major markets are in Asia and the EC. Except for the EC, major palm oil consuming countries are either producers such as Malaysia and Indonesia, or vegetable oil-deficit countries with developing economies and large populations such as India, Pakistan, and China. The EC is the world's major importer and second largest consumer of palm oil. Forecast imports of 1.2 million metric tons in 1989-90 account for 20 percent of world trade. With no evident sign of EC consumer health concerns, the world palm oil market will continue to be shaped by traditional supply and demand factors for palm and other competing vegetable oils.

MANIOC

Mr. **Whitten**. What is the current situation and outlook for world trade in manioc?

Mr. GARDNER. Record manioc production in Thailand and Indonesia and higher coarse grain prices allowed world manioc trade to expand 13 percent in 1989. Thailand accounts for 88 percent of the estimated 11.5 million tons, pellet basis, of manioc exported in 1989. Indonesia accounts for another 9.5 percent of world trade. The EC is the primary market for manioc exports due to its policy of allowing preferential access to nongrain feeds. The EC, whose imports are governed by voluntary export restraint agreements with the major exporters, imports about 7 million tons per year. While EC imports have remained fairly constant since 1987, other countries have increased imports, boosting their market share from 10 percent in 1987 to 40 percent in 1989. The Soviet Union is the largest non-EC buyer, taking about 1 million tons in each of the last two years. Other markets include South Korea, Japan, Taiwan, Eastern Europe, Israel, Turkey, and Egypt. The United States imported 197,000 metric tons from Thailand in 1989.

Thailand exports manioc to the EC under a four-year agreement, 1987 to 1990, which restricts total volume to 21 million tons and annual volume to 5.5 million tons. Annual Thai exports to the EC averaging 5.5 million tons each of the first three years leave a 4.5 million ton Thai quota for 1990, but there may be room to "borrow" another 0.5 million tons from next year's anticipated quota.

Thailand and Indonesia each have export systems whereby an individual exporter's share of the country's EC quota is partly based on that firm's exports to other markets. These systems, together with the relatively high prices, about $140 per ton, in the EC market, encourage dumping in other markets for prices of $40–$75 per ton. This dual price system has encouraged the expansion of manioc exports into new markets, most likely at the expense of coarse grains.

Lower supplies of manioc in Thailand may ease Thai competition in non-EC feed markets in 1990, but the dual price system will continue to make cheap manioc available there. The EC is expected to maintain its imports at about 7 million tons per year, with increased exports from other sources making up any reduction in Thai supplies. Barring a sharp decline in coarse grain or rise in soymeal prices, manioc is lower in protein than coarse grains and requires a correspondingly larger protein meal complement, manioc should remain competitive in world feed markets.

Mr. WHITTEN. Has the EC import quota been extended?

Mr. GARDNER. A new agreement between the EC and Thailand is currently under negotiation, but is not expected to be much different from the old. Indonesia's quota to the EC market has been maintained at 850,000 tons, rejecting an Indonesian request to double it.

RETURNS TO EQUITY

Mr. WHITTEN. Please provide for the record the latest figures showing the returns to equity for agriculture and nonfarm segments of the economy for the last 10 years.

Mr. **Gardner**. I will provide a table for the record that compares rates of return in farm and nonfarm investments from 1980 through 1989.

[The information follows:]

RATES OF RETURN TO EQUITY IN AGRICULTURE AND IN SELECTED NONFORM INVESTMENTS

[In percent]

Year	Rate of return to farm equity [1]	Prime rate charged by banks	3-month Treasury bills [2]	Corporate bonds, Baa (Moody's) [2]	High-grade municipal (Standard & Poor's) [2]
1980	−0.5	15.27	11.51	13.67	8.51
1981	0.4	18.87	14.03	16.04	11.23
1982	0.1	14.86	10.69	16.11	11.57
1983	−1.3	10.79	8.63	13.55	9.47
1984	1.2	12.04	9.58	14.19	10.15
1985	2.0	9.93	7.48	12.72	9.18
1986	3.6	8.33	5.98	10.39	7.38
1987	4.0	8.22	5.82	10.58	7.73
1988	3.2	9.32	6.69	10.83	7.76
1989(P)	3.5	10.87	8.12	10.18	7.24

[1] USDA—Economic Research Service.

[2] Economic Report of the President, February, 1990.

P—preliminary

CONSUMER FOOD EXPENDITURES

Mr. Whitten. Please provide for the record the lastest figures for consumer food expenditures for the last ten years, showing farm value and cost between farmer and consumer.

[The information follows:]

[In billions of dollars]

Year	Consumer expenditures for U.S.-produced foods	Marketing bill	Farm value
1979	245.2	166.0	79.2
1980	264.4	182.7	81.7
1981	287.7	206.0	81.7
1982	298.9	217.5	81.4
1983	315.0	229.7	85.3
1984	332.0	242.2	89.8
1985	345.4	259.0	86.4
1986	359.6	270.8	88.3
1987	375.6	285.1	90.4
1988	396.6	300.0	96.6
1989	420.6	318.3	102.3

FARMER'S SHARE OF THE FOOD DOLLAR

Mr. **Whitten**. Please provide for the record the latest figures showing the farmer's share of the food dollar for selected years since 1950.

[The information follows:]

[Dollars in billions]

Year	Consumer expenditures for U.S.-produced foods	Marketing bill	Farm value	Farm value share of expenditures
1950	$44.0	$26.0	$18.0	41
1955	53.1	34.4	18.7	35
1960	66.9	44.6	22.3	33
1965	81.1	54.0	27.1	33
1970	110.6	75.1	35.5	32
1975	167.0	111.4	55.6	33
1980	264.4	182.7	81.7	31
1981	287.7	206.0	81.7	28
1982	298.9	217.5	81.4	27
1983	315.0	229.7	85.3	27
1984	332.0	242.2	89.8	27
1985	345.4	259.0	86.4	25
1986	359.6	270.8	88.3	25
1987	375.6	285.1	90.4	24
1988	396.6	300.0	96.6	24
1989	420.6	318.3	102.3	24

Mr. Whitten. Please provide for the record the latest figures showing the number of farms for selected years since 1950.

[The information follows:]

Number of farms in the United States, 1950–89

Year	*Thousands*
1950	5,648
1951	5,428
1952	5,198
1953	4,894
1954	4,798
1955	4,654
1956	4,514
1957	4,372
1958	4,233
1959	4,097
1960	3,963
1961	3,825
1962	3,692
1963	3,572
1964	3,457
1965	3,356
1966	3,257
1967	3,162
1968	3,071
1969	3,000
1970	2,949
1971	2,902
1972	2,860
1973	2,823
1974	2,795
1975	2,521
1976	2,497
1977	2,456
1978	2,436
1979	2,437
1980	2,440
1981	2,440
1982	2,407
1983	2,379
1984	2,334
1985	2,293

Year	*Thousands*
1986	2,250
1987	2,213
1988	2,197
1989	2,173

Source: National Agricultural Statistics Service.

FARM INCOME

Mr. WHITTEN. Please provide for the record the latest figures showing farm income for the last ten years, including gross income, production expenses, net farm income, and net cash income. Please explain for the record the difference between net income and net cash income.

Mr. GARDNER. I will provide definitions and a table for the record that give farm income and expenses for the U.S. agricultural sector.

[The information follows:]

Cash income measures cash earnings of the farm business, including sales of previous years' production out of inventories. This cash income is available for debt service and family expenses. Net cash income is cash income less cash expenses (including share rental expenses).

Net farm income is a measure of the farm sector's contribution to output as measured by GNP. It includes farm income and noncash income and expenses associated with farm dwellings. Net farm income is gross income after adjustment for sales of previous years' production less all production expenses, including depreciation and the value of perquisites to hired labor.

FARM INCOME AT CURRENT PRICES

[In billions of current dollars]

Year	Gross income	Production expenses	Net farm income	Net cash income
1980	143.3	133.1	16.1	34.2
1981	146.0	139.4	26.9	32.8
1982	150.6	140.0	23.5	37.8
1983	150.4	140.4	12.7	36.9
1984	155.3	142.7	32.3	38.7
1985	156.9	134.0	32.4	46.7
1986	152.5	122.4	38.0	51.8
1987	162.0	128.0	43.6	54.5
1988	171.6	135.0	42.7	47.2
1989	174	141	48	53

F=forecast. December 1989.

PRICES PAID BY FARMERS

Mr. WHITTEN. Please provide for the record the lastest figures showing prices received and prices paid by farmers for the last ten years.

[The information follows:]

INDEX OF PRICES RECEIVED AND PAID BY FARMERS

[1977-100]

Year	Prices received	Prices paid
1980	134	138
1981	139	150
1982	133	159

INDEX OF PRICES RECEIVED AND PAID BY FARMERS—Continued

[1977=100]

Year	Prices received	Prices paid
1983	135	159
1984	142	162
1985	128	156
1986	123	150
1987	127	151
1988	138	160
1989	147	167

NUMBER OF WORKERS

Mr. WHITTEN. Please provide for the record the latest figures showing the number of farm and non-farm workers for selected years since 1950.

[The information follows:]

ANNUAL AVERAGES OF EMPLOYED PERSONS, SELECTED YEARS 1950–89[1]

Year	Total	Agriculture	Nonagricultural industries
1950	58,918	7,160	51,758
1955	62,170	6,450	55,722
1960	65,778	5,458	60,318
1965	71,088	4,361	66,726
1970	78,678	3,463	75,215
1975	85,846	3,408	82,438
1980	99,303	3,364	95,938
1985	107,150	3,179	103,971
1986	109,597	3,163	106,434
1987	112,440	3,208	109,232
1988	114,968	3,169	111,800
1989	117,342	3,199	114,142

[1] Employed persons in the civilian noninstitutional population age 16 and over.

Source: U.S. Department of Labor, Bureau of Labor Statistics. "Employment and Earnings." Various issues.

POPULATION ON FARMS

Mr. WHITTEN. Please provide for the record the latest figures showing what percent of U.S. total population lived on farms for selected years since 1900.

Mr. GARDNER. In 1980 and 1989 a farm was defined as a place from which $1,000 or more of products were sold or produced. Definitions in earlier years were somewhat broader. I will provide a table that shows the percentage of U.S. population living on farms in selected years since 1900.

[The information follows:]

Year	*Percent*
1989	2.0
1980	2.7
1970	4.8
1960	8.7
1950	15.3
1940	23.2
1920	30.1
1900	39.3

FARM DEBT

Mr. **Whitten.** Please provide for the record the latest figures showing farm debt for selected years since 1950 and comparison of debt-to-asset ratio and debt-to-net farm income ratio.

[The information follows:]

U.S. FARM DEBT AND SELECTED FINANCIAL RATIOS

Item	1950	1955	1960	1965	1970	1975	1980	1985	1987	1988	1989
Total farm debt (billion dollars) [1]	12.3	17.0	24.8	39.3	52.8	91.5	178.7	187.9	153.7	148.5	145.0
Debt to asset ratio [1]	8.0	9.8	11.8	15.1	16.3	15.9	16.2	22.3	19.0	17.3	14.9
Debt to farm income ratio [1]	.9	1.5	2.2	3.1	3.7	3.6	11.1	5.8	3.3	3.2	3.0

[1] Includes operator households.

LAND VALUES

Mr. **Whitten.** Please provide for the record the latest figures showing changes in land values in major areas during the last 10 years.

[The information follows:]

[Dollars per acre]

Region	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Northeast	1,112	1,269	1,365	1,364	1,343	1,391	1,346	1,340	1,491	1,586	1,794
Lake States	901	1,065	1,243	1,234	1,160	1,147	952	797	707	788	831
Corn Belt	1,412	1,643	1,776	1,642	1,482	1,449	1,108	972	900	1,003	1,107
Northern Plains	412	485	535	547	547	518	412	360	331	368	401
Applachia	894	1,014	1,093	1,083	1,082	1,107	1,035	1,025	1,004	1,037	1,095
Southeast	844	1,005	1,126	1,095	1,095	1,105	1,068	1,038	1,055	1,130	1,202
Delta States	795	966	1,146	1,135	1,039	1,074	1,012	880	757	781	803
Southern Plains	411	472	510	576	574	632	675	579	532	531	518
Mountain	231	284	308	325	314	327	300	267	257	257	261
Pacific	887	1,037	1,243	1,346	1,357	1,399	1,293	1,201	1,084	1,089	1,140
United States	628	737	819	823	788	801	713	640	599	632	667

INCOME SPENT FOR FOOD

Mr. **Whitten.** Please provide for the record the latest figures showing percent of income spent for food in the United States and other selected countries, including the Soviet Union.

Mr. **Gardner.** I will provide a table that compares the percentage of all consumption expenditures for food for a number of countries. The table is organized to show countries in ascending order of their personal consumption expenditures for food, beverages and tobacco. Data is not available for the same year for all countries.

[The information follows:]

Food, beverages, and tobacco as a percent of personal consumption expenditures, ranked in ascending order of the total

Year	Country	Food, beverages, and tobacco	Food	Alcoholic beverages	Tobacco
		Percent of personal consumption expenditures			
1987	United States	13.3	10.3	1.3	1.2
1987	Canada	17.0	11.3	3.0	2.1
1987	New Zealand	17.9	12.6	--	2.5
1987	United Kingdom	17.9	12.8	1.8	2.6
1987	Netherlands	18.2	14.2	1.8	1.7
1987	Hong Kong	18.8	15.9	1.3	0.8
1987	France	20.1	16.4	2.0	1.1
1987	Japan	20.9	18.0	1.2	1.1
1987	Iceland	21.8	15.3	2.3	1.9
1987	Australia	21.9	15.0	4.7	1.9
1987	Germany	22.3	16.6	3.1	2.0
1987	Sweden	22.5	17.0	3.3	1.8
1987	Denmark	22.6	15.7	3.4	2.9
1987	Austria	23.0	17.4	2.5	2.4
1987	Belgium	23.4	17.7	2.9	1.6
1986	Luxembourg	23.4	15.1	1.6	6.1
1987	Italy	23.8	20.5	1.2	1.7
1987	Norway	24.6	18.1	3.1	2.2
1987	Finland	24.8	18.2	4.0	2.1
1987	Israel	27.0	23.4	0.6	1.2
1987	Singapore	27.0	20.3	2.5	2.5
1987	Switzerland	27.2	19.9	4.0	2.1
1987	Spain	27.9	25.1	1.1	1.3
1986	Puerto Rico	29.1	23.4	3.8	1.9
1983	Malaysia	31.7	25.0	2.1	3.8
1985	Fiji	32.8	25.2	3.4	2.2
1987	Venezuela	33.3	25.6	4.4	1.4
1986	Bahamas	33.5	23.7	7.5	2.0
1985	Zimbabwe	35.5	15.7	6.0	4.2
1987	Ecuador	36.1	29.9	2.6	1.8
1987	South Africa	36.5	28.5	4.2	2.3
1984	Mexico	36.7	31.9	2.2	1.5
1986	Colombia	37.2	31.1	3.9	1.2
1987	Thailand	38.0	28.6	3.6	2.5
1986	Peru	38.3	--	--	--
1987	Cyprus	38.4	30.2	3.0	3.0
1986	Portugal	39.0	34.3	2.0	2.4

Food, beverages, and tobacco as a percent of personal consumption expenditures, ranked in ascending order of the total

Year	Country	Food, beverages, and tobacco	Food	Alcoholic beverages	Tobacco
		Percent of personal consumption expenditures			
1986	USSR	40.0	28.0	10.0	2.0
1987	Greece	40.2	33.2	2.8	3.2
1986	Jordan	40.7	37.5	--	1.9
1986	Ireland	41.7	23.8	11.9	4.6
1987	Malta	42.1	29.9	4.3	3.7
1987	Korea	43.5	36.1	3.3	3.2
1984	Iran	43.9	--	--	--
1985	Honduras	45.2	41.4	2.1	0.6
1986	Jamaica	49.8	38.6	4.1	5.4
1986	China	53.5	47.8	5.7	--
1987	Sri Lanka	54.3	47.2	2.7	4.0
1987	India	55.2	52.6	1.1	1.4
1987	Philippines	55.8	51.3	1.7	2.0
1983	Sudan	64.7	62.9	--	1.2
1986	Sierra Leone	67.9	60.1	3.9	2.0

Source: United Nations National Account Statistics

COST OF FOOD TO CONSUMER

Mr. WHITTEN. Please provide for the record the latest figures showing the dollar cost of food to consumers in the United States and other selected countries.

Mr. GARDNER. I will provide a table that has prices, in dollars, for selected commodities as collected by the Foreign Agricultural Service.

[The information follows:]

Survey of average retail food prices in selected world capitals, November, 1989, converted at current exchange rates.

Dollars per kilogram (or other unit as indicated)

Item	Bern	Bonn	Brasilia	Buenos Aires	Canberra	London	Madrid	Mexico City
Steak, sirloin, boneless	30.15	11.89	3.92	2.77	7.83	16.97	11.76	5.10
Roast , pork, boneless	9.81	5.95	2.34	4.00	4.56	5.73	8.50	5.80
Broilers, whole	3.55	2.30	1.01	1.51	2.65	3.48	2.71	2.08
Eggs, large, dozen	3.60	1.10	0.64	0.74	1.88	2.14	1.65	0.70
Butter	10.38	4.45	3.97	2.54	2.76	3.95	9.40	3.13
Cheese, Cheddar or Emmenthaler	11.00	8.10	3.55	5.38	4.72	5.71	11.20	6.43
Milk, whole, liter	1.03	0.63	0.91	0.48	0.69	0.70	0.81	0.36
Oil, cooking, liter	2.88	0.95	0.72	1.86	1.72	1.54	1.67	0.84
Potatoes	0.72	0.48	0.50	0.54	1.49	0.59	0.34	0.56
Apples	1.68	1.36	1.57	0.98	1.45	1.38	1.24	2.07
Oranges	1.35	1.55	0.54	0.74	1.92	1.49	0.92	0.23
Flour	1.15	0.50	0.48	0.48	1.00	0.62	0.67	0.30
Rice	1.94	2.00	0.65	0.92	0.96	1.38	1.65	0.36
Sugar	0.88	1.03	0.66	0.66	0.87	0.94	1.06	0.49
Coffee	8.82	9.19	4.96	4.46	11.28	7.44	6.98	3.90
Total	88.94	51.48	26.42	28.06	45.78	54.06	60.56	32.35

Dollars per kilogram (or other unit as indicated)

Item	Ottawa	Paris	Pretoria	Rome	Seoul	Stockholm	Tokyo	Metro Washington
Steak, sirloin, boneless	9.31	12.57	5.08	12.51	17.60	23.41	43.71	9.02
Roast , pork, boneless	5.14	8.42	2.95	8.83	5.04	22.14	12.80	9.08
Broilers, whole	3.53	3.72	1.76	4.42	2.80	8.02	5.59	1.63
Eggs, large, dozen	0.92	1.72	0.79	2.09	2.02	2.72	1.80	1.28
Butter	4.27	4.85	2.71	6.01	7.77	6.33	9.14	4.92
Cheese, Cheddar or Emmenthaler	10.19	8.74	4.24	8.82	12.72	9.46	8.85	9.52
Milk, whole, liter	1.21	0.91	0.61	1.01	1.22	0.85	1.28	0.62
Oil, cooking, liter	1.77	2.04	1.14	0.94	1.79	8.00	1.34	2.37
Potatoes	0.73	0.99	0.52	0.59	0.95	0.71	2.05	0.97
Apples	1.79	2.06	0.89	1.84	1.34	1.89	3.44	1.59
Oranges	1.85	1.04	0.57	1.84	1.31	1.53	2.72	1.19
Flour	1.02	0.79	0.49	0.56	0.42	1.18	1.22	0.66
Rice	2.00	2.84	1.09	1.66	1.90	2.11	2.52	1.46
Sugar	0.38	1.15	0.53	1.01	0.85	1.15	1.72	1.01
Coffee	8.33	6.86	8.49	8.23	8.93	8.41	22.31	7.61
Total	52.44	58.70	31.86	60.36	66.66	97.91	120.49	52.93

Source: Foreign Agricultural Service

WORK EFFORT REQUIRED TO PURCHASE COMMODITIES

Mr. **Whitten**. Please provide for the record the latest figures showing the hours and minutes of work required to purchase various commodities in selected capitals of the world.

Mr. **Gardner**. I will provide a table for the record. Nonagricultural hourly wages were used where available, but are not strictly comparable between countries. An average manufacturing wage was used for Argentina, Mexico, Sweden, and South Africa. A minimum wage was used for Brazil. The November 1989 wage was estimated for all countries via an index of wage rates published by the International Monetary Fund, based on 1987 home currency wages collected by the International Labor Organization. Monthly wages wee converted to hourly for Japan, Mexico, Sweden, and South Korea.

[The information follows:]

Time spent by workers to earn retail value of food products in selected world capitals, November 1989

Item	Bern	Bonn	Brasilia	Buenos Aires	Canberra	London	Madrid	Mexico City
	Hours and minutes required to purchase one kilogram (or units as indicated)							
Steak, sirloin, boneless	2:19	1:07	2:59	1:56	0:46	2:06	1:45	3:38
Roast, pork, boneless	0:45	0:34	1:47	2:48	0:27	0:42	1:16	4:08
Broilers, whole	0:16	0:13	0:46	1:04	0:15	0:26	0:24	1:29
Eggs, large, dozen	0:17	0:06	0:29	0:31	0:11	0:16	0:15	0:30
Butter	0:48	0:25	3:01	1:47	0:16	0:29	1:24	2:14
Cheese, Cheddar, Emmenthaler	0:51	0:46	2:42	3:46	0:27	0:42	1:40	4:35
Milk, whole, liter	0:05	0:04	0:42	0:20	0:04	0:05	0:07	0:15
Oil, cooking, liter	0:13	0:05	0:33	1:18	0:10	0:11	0:15	0:36
Potatoes	0:03	0:03	0:23	0:23	0:09	0:04	0:03	0:24
Apples	0:08	0:08	1:12	0:41	0:08	0:10	0:11	1:28
Oranges	0:06	0:09	0:25	0:31	0:11	0:11	0:08	0:10
Flour	0:05	0:03	0:22	0:20	0:06	0:05	0:06	0:13
Rice	0:09	0:11	0:30	0:39	0:06	0:10	0:15	0:15
Sugar	0:04	0:06	0:30	0:28	0:05	0:07	0:09	0:21
Coffee	0:41	0:52	3:47	3:08	1:06	0:55	1:03	2:47
Total	6:49	4:52	20:07	19:40	4:26	6:40	9:03	23:02

Item	Ottawa	Paris	Pretoria	Rome	Seoul	Stockholm	Tokyo	Metro Washington
	Hours and minutes required to purchase one kilogram (or units as indicated)							
Steak, sirloin, boneless	0:53	1:47	2:19	1:23	4:23	1:58	3:00	0:56
Roast , pork, boneless	0:29	1:12	1:21	0:59	1:15	1:52	0:53	0:57
Broilers, whole	0:20	0:32	0:48	0:29	0:42	0:41	0:23	0:10
Eggs, large, dozen	0:05	0:15	0:22	0:14	0:30	0:14	0:07	0:08
Butter	0:24	0:41	1:14	0:40	1:56	0:32	0:38	0:31
Cheese, Cheddar or Emmenthaler	0:58	1:14	1:56	0:58	3:10	0:48	0:36	1:00
Milk, whole, liter	0:07	0:08	0:17	0:07	0:18	0:04	0:05	0:04
Oil, cooking, liter	0:10	0:17	0:31	0:06	0:27	0:40	0:06	0:15
Potatoes	0:04	0:08	0:14	0:04	0:14	0:04	0:08	0:06
Apples	0:10	0:18	0:24	0:12	0:20	0:10	0:14	0:10
Oranges	0:10	0:09	0:16	0:12	0:20	0:08	0:11	0:07
Flour	0:06	0:07	0:13	0:04	0:06	0:06	0:05	0:04
Rice	0:11	0:24	0:30	0:11	0:28	0:11	0:10	0:09
Sugar	0:02	0:10	0:14	0:07	0:13	0:06	0:07	0:06
Coffee	0:47	0:58	3:52	0:55	2:13	0:42	1:32	0:48
Total	4:56	8:20	14:31	6:40	16:35	8:15	8:16	5:31

AGRICULTURAL EXPORTS AND IMPORTS

Mr. Whitten. Please provide for the record the latest figures showing agricultural exports and imports for the last ten years and the forecast for calendar year 1990.

[The information follows:]

U.S. AGRICULTURAL EXPORTS AND IMPORTS

[In millions of dollars]

Year	Agricultural exports	Agricultural imports [1]
1980	41,233	17,366
1981	43,339	16,772
1982	36,627	15,389
1983	36,099	16,627
1984	37,804	19,334
1985	29,041	19,986
1986	26,222	21,440
1987	28,709	20,402
1988	37,093	20,951
1989	39,991	21,752
1990 [2]	38,000	21,800

[1] Imports for consumption, Customs value basis.

[2] Forecast.

EXPORTS

Mr. **Whitten**. Please provide for the record the latest figures showing the share of major crops exported for the last ten years and the estimate for calendar 1990.

[The information follows:]

U.S. EXPORTS AS A SHARE OF DOMESTIC PRODUCTION

[In percent]

Year	Wheat	Coarse grains	Milled rice	Soybeans	Cotton	Unmfd. tobacco
1979	64	30	63	53	63	46
1980	64	36	63	56	53	35
1981	64	24	45	61	42	31
1982	55	21	45	55	44	31
1983	59	41	71	59	87	40
1984	55	24	45	43	48	37
1985	38	13	44	47	15	37
1986	48	18	63	55	69	48
1987	76	24	56	56	54	48
1988	78	41	54	48	40	43
1989 [1]	64	30	53	41	63	37

[1] Crop year forecast.

FARM INCOME

Mr. **Whitten**. Please provide for the record the latest figures showing the source of income for large and small farms for the last ten years.

[The information follows:]

SOURCE OF INCOME BY SIZE OF FARM

[In millions of dollars]

Year	Large farms		Small farms	
	Net farm income	Off-farm income	Net farm income	Off-farm income
1979	19,677	2,559	−652	28,233
1980	20,927	2,882	−1,530	28,694
1981	21,820	3,229	−2,754	29,357
1982	24,453	3,491	−1,588	29,660
1983	23,756	3,477	−2,122	30,318
1984	27,184	3,818	−2,250	31,652
1985	32,235	4,302	−881	33,596
1986	36,205	4,411	192	36,088
1987	40,300	4,871	1,595	37,711
1988	42,355	5,908	2,005	41,084

Note.—For purposes of this table small farms are defined as farms with less than $40,000 in sales. Large farms are farms with more than $100,000 in sales. Net farm income is before inventory adjustment.

Mr. WHITTEN. Please provide for the record the latest figures showing a comparison of output and productivity of farms and nonfarm enterprises for the last 10 years.

[The information follows:]

INDICES OF OUTPUT AND PRODUCTIVITY: FARM AND NONFARM [1977=100]

Year	Output		Labor productivity [1]	
	Nonfarm business	Farm sector	Nonfarm business	Farm sector
1978	106.0	104	100.8	104
1979	107.9	111	99.3	113
1980	106.7	104	98.8	109
1981	108.5	118	99.8	123
1982	104.9	116	99.2	125
1983	110.1	96	102.5	99
1984	119.2	112	104.6	121
1985	123.9	118	106.1	139
1986	127.6	111	108.2	139
1987	133.1	110	108.9	142
1988	140.3	102	111.1	134
1989	NA [2]	111	112.1	NA

[1] Output per hour.

[2] Not available.

Sources: (1) Economic Report of the President, January 1990. Table C-46, p. 346. (2) Economic Indicators of The Farm Sector: Production and Efficiency Statistics.

CCC INVENTORIES

Mr. WHITTEN. Please provide figures showing quantities of major commodities of CCC inventories as of the end of fiscal year 1989, compared with other selected periods of time over the last 50 years.

[The information follows:]

CCC-OWNED INVENTORIES OF MAJOR COMMODITIES, SELECTED YEARS

Commodity	Units	Fiscal years [1]						
		1948	1958	1968	1978	1983	1987	1989
Crops:								
Wheat	Mbu	33	835	402	50	368	812	168
Corn	do	0	1,028	136	13	1,166	1,475	462
Sorghum	do	0	312	192	13	176	420	345
Barley	do	0	86	6	0	4	79	37
Oats	do	0	30	45	2	1	3	1
Soybeans	do	0	31	8	0	21	236	0
Rice [2]	MCwt	([3])	12	0	11	24	2	0
Cotton [1]	MBales	0	1	1	0	1	0	0
Dairy:								
Butter	MLbs	([3])	117	187	235	582	141	352
Cheese	do	124	61	53	1,131	251	10	
Dried milk	do	6	177	257	676	1,759	243	0

[1] Data are not available for years prior to 1946.
[2] Rough Basis.
[3] Not available
[4] Upland only.

OUTLOOK FOR THE FUTURE

Mr. WHITTEN. May I say again, this is no reflection on you. If you ask me or anybody on this Committee what we expect, I'm sure they'd have to give the same answer, "do the best we can".

The situation we're in is deadly serious, and we realize you're serious, and your full statement will appear in the record. Again, the points I make are fresh on my mind because we have to deal with it.

I travelled to Europe about two weeks ago and met with their military people in London, and Norway and Belgium. We also met with our military people from a number of countries in the Pacific and in the Atlantic. My own opinion is that they're laughing at us because we're letting them have our domestic markets, and we're shying off of competing with them for other markets.

We send our top level people on missions to go and try to make a deal with these countries, instead of putting our commodities on the counter and saying come and get it. The point I'm trying to make is that for 48 years we let the farmer get his price at the market place.

Section 32 of the AAA Act provides that 30 percent of the import duties shall be made available to help us export our commodities and meet the competition. Instead it has been used for the school lunch program and various other things. So a lot of our problems can be attributed to what the Government has done.

Our own country is the one that increases the cost to the farmer by such things as increasing minimum wages, which in turn is justified because the dollar gets cheaper. We're the ones who are selling our assets and directing profits overseas.

Who is going to pay the interest on the debts that we incur? How much are we going to have left when we get through paying the interest?

All of this is beyond our control but I did think we should put it in the record. We appreciate your statement, and it will be in the record.

But I don't know anybody who can be too sure about what the future holds. If we don't change our policies, it may hold a whole lot of tough things that we don't like.

Mrs. Smith?

PARITY

Mrs. **Smith**. Thank you, Mr. Chairman. I certainly agree with you.

We appreciate your being here, Mr. Gardner. I listened carefully to your comments about a competitiveness. You say that United States agriculture has regained its competitiveness.

Is this a positive change for just a few of our products or across the board?

Mr. **Gardner**. No, I think it's across the board in the sense that our production costs continue to be reduced as technical change goes on for a lot of commodities.

But the 1985 farm bill was particularly aimed at improving our competitiveness in the grains and trying to recapture some market share that we earlier lost. So that element has been particularly important.

Mrs. **Smith**. Well, you cite the reduction in grain stocks as a factor. How much of our commodity price has gone up as we were reducing these grain stocks?

Mr. **Gardner**. Well, of course, the market prices are up substantially from where they were in the mid-1980s when the stocks were at their peaks and we started the 1985 bill process.

Mrs. **Smith**. You also point out that we'll be decreasing our set aside acres next year.

Mr. **Gardner**. Yes.

Mrs. **Smith**. What effect is this going to have on the commodity prices? Will they be falling?

Mr. **Gardner**. I expect it's likely you'll see some declines in prices, although not very large, and part of this is the additional acreage, but perhaps more important would be yield.

Mrs. **Smith**. But in spite of that, you think that the balance sheet, you say, will improve next year and that land prices will continue to rise.

Mr. **Gardner**. Yes.

Mrs. **Smith**. I want to ask you a question or two about meat. I'm aware that last year we exported 2.6 billion pounds, more than double what we had been exporting.

What further predictions do you see beyond 1990 regarding beef exports?

Mr. **Gardner**. Well, I think beyond 1990 things get even more conjectural than they are just for 1990 alone, but I see no reason why we can't continue to be a major factor and an increasing factor in the world meat trade.

Again, though, I think when we get beyond 1990, so much is going to depend on the policies of other countries, and the world trade picture generally, which is going to result in part from current negotiations. So, these things do get very difficult to predict.

Mrs. Smith. These current negotiations with GATT, what impact do you think they will have upon meat and other agricultural exports?

Mr. Gardner. Well, if we're successful and have an outcome of that process that is consistent with the U.S. proposal, I think the picture looks very good for meat exports in particular.

Mrs. Smith. Well, this session is on the outlook, so I'll ask you one more question. What's the outlook for us having an agreement in the GATT negotiations?

Mr. Gardner. That's not so much the economic outlook; that's a decision making outlook and negotiating outlook that we'll see shaping up this year.

Mr. Whitten. But it's what controls economics, though, isn't it?

Mrs. Smith. Sure.

Mr. Gardner. Well, all the negotiators are coming at it from an economic point of view, that's right.

U.S. INTERNATIONAL COMPETITIVENESS

Mrs. Smith. Secretary Gardner, in your statement you mention that U.S. exports are on the rebound and "U.S. agriculture has regained its competitiveness." I would like to know if this is a positive change for all U.S. agricultural exports or just a select few? Is this a short-term trend or a long-term stabilization in U.S. export capabilities?

Mr. Gardner. The export improvement is not confined to a select few commodities, and does not appear to be merely a transitory phenomenon. Total U.S. agricultural exports have risen in value in each of the last three fiscal years from a low of $26.2 billion in 1986 to $39.7 billion in 1989. For the last 3 or 4 years U.S. exports have shown a strongly rising trend for meats and poultry, hides and skins, wheat and products, feed grains, other feeds and fodders, fruits and preparations, vegetables and preparations, and other products. These products accounted for 63 percent of the value of 1989 U.S. agricultural exports. Exports of soybeans and soymeal, representing another 13 percent of 1989 exports, declined sharply in 1989, but largely because drought greatly reduced supplies and large stocks were not available to maintain exports. Drought also reduced wheat suppliles and exports. The volume of cotton exports for the 1989 crop is expected to be the second highest ever. Rice exports have been stable over the last 4 years. Tobacco exports have been on a declining trend for over a decade, but cigarette exports have expanded.

U.S. exports of most major crops—wheat, coarse grains, rice, soybeans, and soymeal—are forecast to increase moderately during the 1990s. In the most cases, growth rates will exceed the small increases of the 1989s, but fall well short of the rapid growth of the 1970s. However, cotton export growth will be small and tobacco exports will likely continue falling. U.S. exports of poultry will probably continue to grow, while beef exports increase strongly. U.S. pork exports have been relatively small and are expected to decline slowly. The U.S. share of world trade is expected to remain in relatively stable for most major crops and poultry during the coming decade, while the U.S. share increases in beef trade and declines slightly in pork trade. Of course, the U.S. agricultural trade picture depends not only on the economic picture here and abroad, but also on U.S. and foreign policies. Our ability to compete in the future will depend upon these policies.

U.S. GRAIN STOCKS

Mrs. **Smith**. As well, when discussing farm prices and U.S. competitiveness abroad, you cite the reduction in current grain stocks as a factor. What impact has the reduction of U.S. stocks had upon agriculture trade and commodity prices? What do you foresee the U.S. grain stocks level to be throughout the next year and what impact will they have?

Mr. **Gardner**. During the early 1980s, the U.S. loan rate system amounted to a U.S. willingness to hold and accumulate stocks at relatively high world price levels, maintaining high prices for foreign competitors and depressing foreign demand. The policy prevented U.S. supplies from being sold at competitive prices and thereby reduced exports and increased stocks. The commodity certificates, marketing loans, and other mechanisms provided by the Food Security Act of 1985 allowed export of U.S. supplies at competitive prices. The very high U.S. and global stock levels of the mid-1980s signficantly reduced U.S. and world commodity prices. However, these stock levels allowed maintenance of domestic use and exports of grains despite reduced production from the droughts. Lower stock levels clearly have increased commodity prices. U.S. grain stocks in 1989/90 are expected to decline by about 23 percent, maintaining strong grain prices, particularly for corn. Good crop prospects for the 1990 crop will moderate wheat prices somewhat.

U.S. ending stocks for grains should be higher in marketing years 1990/91 than 1989–90 because of higher production. Higher corn production may come from higher yields. Because of a lower Acreage Reduction Program for wheat, production should increase in marketing year 1990–91. A 100-million bushel increase or decrease in ending stocks of wheat could translate into a 10–15 cent decrease or increase in wheat prices. A 100-million bushel increase or decrease in corn ending stocks might decrease or increase corn prices 4–5 cents a bushel.

MINIMUM STOCK LEVELS

Mrs. **Smith**. What elements and U.S. stock levels are necessary to ensure a safe and stable food supply?

Mr. **Gardner**. The safety of our food supply is ensured primarily by the responsiveness of agricultural and food industries, with monitoring and regulation by the U.S. Department of Agriculture, the Food and Drug Administration, and many state and local agencies.

No particular level of stocks can ensure stability of supply absolutely, but stocks can cushion all but the most severe short-term crop losses. Over the longer term, by ensuring that we can compete in the world market we can promote a healthy and vigorous agriculture that will have the capability to recover from short crop years and avoid overproduction in others by producing for the appropriate market price.

In order to provide short-term stability, stocks must move into and out of storage freely in response to market conditions. The proposed Farmer Owned Reserve (FOR) and safety-net nonrecourse loan programs meet the needs of both farmers and consumers in smoothing marketing of feed and food grains.

When excluding corn stock levels in abnormal high and low years, an average stock-to-use ratio in the last two decades was about 25 percent. In the past 30 years, corn ending stocks have not fallen below 361 million bushels, the ending stocks in crop year 1974. This represented 7.5 percent of total use that year. An average stock-to-use-ratio for wheat was about 40 percent in the last two decades. The lowest stock levels of wheat ending stocks was 340 million bushels in crop year 1973–74. This represented 17 percent of total use that year. In the Administration's farm bill proposal, we use a 25 and 40 percent of stock-to-use ratio for corn and wheat respectively, to trigger the Acreage Reduction Program levels.

IDLE LAND

Mrs. Smith. Overall, idle U.S. farm acres are expected to decrease in 1990 to 53 million acres compared to 60 million acres in 1989—a 7-million acre decrease. What impact do you believe this increase in plantings will have upon agricultural prices in general?

Mr. Gardner. Crop prices are expected to decline moderately in 1990. While a portion of the deline can be attributed to increased production from fewer idled acres, other factors are also contributing to this decline.

Area planted to agricultural crops is expected to increase in 1990 due to reductions in ARPs for crops such as wheat and rice and a decrease in the program participation rate for corn. Prices are expected to decline moderately as production increases on this land. However, the relatively low carryover stocks for these crops will cushion any price declines.

The production potential and price expectations in 1990 are also influenced by yield expectations. Crop yields are expected to increase as we recover from the droughts of 1988 and 1989. More normal weather patterns and soil moisture conditions in major crop production regions in 1990 will increase yields. However, returning idle land to production tends to lower average yields somewhat since this land is usually the last productive.

FARM INCOME

Mrs. Smith. Overall, idle U.S. farm acres are expected to decrease in 1990 to 53 million acres compared to 60 million acres in 1989—a 7 million acre decrease. If U.S. commodity prices fall, will farm income also decrease in the coming year?

Mr. Gardner. Cash farm income is expected to be near the 1988 record of $57 billion in 1990. Crop receipts are forecast to be record high and any declines in farm prices are expected to be more than offset by marketing increases. The relatively tight stocks-to-use situations for crops such as corn, wheat, and rice are expected to cushion any price declines for those crops. Farm income is actually more sensitive to livestock than crop prices because deficiency payments rise as program crop prices fall, and because feed crops are farm inputs and are a source of costs for the livestock industry as well as receipts for crop producers.

WHEAT ARP

Mrs. SMITH. The acreage reduction program for wheat has been reduced this year and wheat plantings are predicted to have risen as much as 3 million acres. What production level is forecast for U.S. wheat production for this year?

Mr. GARDNER. The acreage reduction program for wheat was reduced from 10 percent to 5 percent for the 1990 wheat crop. In addition, the Department is offering wheat producers modified contracts to plant up to 105 percent of their wheat base. The area seeded to winter wheat during the fall of 1989 was up 3 percent from a year earlier and totaled 57 million acres. The area seeded to spring wheat varieties during the spring is also expected to increase by about 3 percent. As of the end of February, yield prospects for the 1990 winter wheat crop appeared to be returning to normal.

Wheat production for 1990 was projected at 2.6 billion bushels for the President's budget. However, the area seeded to winter wheat was lower than projected for the budget analysis. If we also assume only a 3 percent increase in spring wheat plantings and a return to "normal" yields, we would reduce our expectations for wheat production by about 50 million bushels below the earlier projection.

WHEAT PRICES

Mrs. SMITH. The acreage reduction program (ARP) for wheat has been reduced this year and wheat plantings are predicted to have risen as much as 3 million acres. Will this increase in plantings cause a depression in wheat prices?

Mr. GARDNER. Wheat prices are expected to decline moderately in 1990–91 in response to higher U.S. production. Wheat prices would decline even if the area seeded to wheat did not increase, provided yields return to "normal" levels. However, both world and U.S. carryover stocks are at the lowest levels since the early 1970's. Reduced carryover stocks will help to limit any decline in 1990 crop prices. And, under these circumstances, prices would jump quickly in response to any production shortfalls around the world.

WORLD DEMAND FOR U.S. WHEAT

Mrs. SMITH. The acreage reduction program for wheat has been reduced this year and wheat plantings are predicted to have risen as much as 3 million acres. Is world demand for U.S. wheat high at this time?

Mr. GARDNER. World wheat trade for 1989–90 is forecast at 98 million tons. Lower supplies and consequent high prices have contributed to lower world imports for the last two years, although world trade is still 15 percent above the low levels of the mid-1980's. The U.S. share of the world market in 1989–90 is projected at 36 percent, lower than the nearly 40 percent achieved in 1987-88 and 1988-89, but higher than the market share reached in the mid-1980's. This year, exports of U.S. wheat are being constrained by tight U.S. supplies stemming from the 1988 and 1989 droughts and an increase in the supplies offered by competitors in the world market.

The United States may face more competition in the 1990-91 marketing year because, assuming normal weather, world imports may rise only slightly while competitor supplies may increase. Nevertheless, U.S. wheat exports in 1990-91 are expected to increase slightly from 1989-90.

BEEF EXPORTS

Mrs. SMITH. At this time, you report that U.S. meat exports are at an all time high. Exports in 1990 are expected to be a total of 2.6 billion pounds, more than double the 1986 level. As well, you cite that beef exports are predicted to be 1.2 billion pounds in 1990. What further predictions do you see beyond 1990 regarding beef exports?

Mr. GARDNER. Beef exports are expected to continue to rise beyond 1990 and may reach 1.5 billion pounds by 1995 depending on developments in GATT and the Japanese market. About 75 percent of U.S. beef exports went to Japan in 1989 so further liberalization in the Japanese market will largely determine future growth of U.S. beef exports.

The Japanese are in the third year of liberalizing their market by expanding beef imports 60,000 metric tons (132 million pounds) a year. Their beef quota will be eliminated in April 1991 but tariffs will increase from 25 to 70 percent. During the three years April 1, 1991 to March 31, 1994 the tariffs will be reduced from 70 percent to 60 percent and finally to 50 percent. After 1994, tariffs will be subject to negotiation. This increase in tariffs could slow the growth in beef imports.

As the Japanese quotas are eliminated there could be more competition for market share. The Australians have a small but expanding feedlot operation aimed at the Japanese market and it will be easier for new exporters to enter the Japanese market. It is also difficult to forecast to what levels per capita consumption could rise because in the past there have been cultural constraints on consuming beef and the market has been tightly controlled by the Japanese government. However, we do expect U.S. exports to Japan to continue to grow in the long term.

Other important U.S. markets for high quality beef are Canada, the Caribbean and S. Korea. Because of the high-quality of U.S. beef, it is used worldwide in better restaurants and hotels. With the increase in world business and tourist travel, this segment of the market is also forecast to increase. At this time the United States is negotiating with S. Korea concerning additional access to its beef market. We expect U.S. exports to increase to Korea as it allows more beef imports.

GATT

Mrs. SMITH. I understand the importance of opening international markets through trade negotiations, as was achieved in our negotiations with Japan two years ago. What impact will the current negotiations at GATT have upon U.S. meat and other agricultural exports? Should agreement be reached at GATT, would these changes have an immediate impact upon U.S. agricultural trade?

Mr. GARDNER. Trade liberalization or reform is expected to lead a greater volumes of world trade for most agricultural commodities as countries specialize in producing commodities in which they have a comparative advantage. In an environment free of trade distorting policies the demand for U.S. grains would increase and some of the land idled under current programs would return to production and enable U.S. farmers to increase grain exports.

U.S. beef, pork, and poultry exports are also likely to expand as barriers to market access are removed. An increase in global demand for meats will raise world prices. Higher prices will provide the incentive for U.S. meat production to increase, and, again, result in U.S. export growth.

Production and export improvement is not probable for all commodities produced in the U.S. There are some commodities for which the U.S. is not as competitive as other countries' producers.

The immediacy of the impact of any agreement reached at the GATT upon the United States is difficult to answer. Several proposals have been tabled at the GATT and the final outcome has not been determined. The impact on the United States will depend on primarily two factors: what is finally agreed to and how the agreement is to be implemented. Some effects may be felt immediately, whereas other effects would occur over a longer period of time. In addition, due to lags in the agricultural production process and biological cycles in the livestock sector, reform or liberalization will require some time and adjustment within the agricultural sector.

Mrs. SMITH. I have no further questions, and thank you again for being here.

Mr. WHITTEN. Mr. Natcher?

Mr. NATCHER. No questions, Mr. Chairman.

Mr. WHITTEN. Do we have any further testimony from your side on this issue?

Mr. GARDNER. No.

Mr. WHITTEN. Thank you again, and we hope we can rectify the things that caused your picture to be like it is. We hope we can build it up over on this side.

We're certainly insisting, but I don't know how far we're getting. We do appreciate your appearance, and your statement will appear in the record in full.

Mr. GARDNER. Thank you.

BRUCE GARDNER

Bruce Gardner was nominated by President Bush to be Assistant Secretary of Agriculture for Economics and was confirmed by the U.S. Senate in October. As Assistant Secretary, Gardner is responsible for direction and oversight of USDA's economics and statistics agencies and for providing economic advice to the Secretary of Agriculture.

Prior to this assignment Gardner was a Professor in the Department of Agricultural and Resource Economics at the University of Maryland, College Park. He had held this position since 1981. He previously was a faculty member of Texas A&M University (1977-80) and North Carolina State University (1968-75). During 1975-77 he was a senior staff economist on the President's Council of Economic Advisers.

Gardner has published many articles in professional journals, and has authored three books on agricultural policy issues. He has been an active member of the American Agricultural Economics Association, and in 1989 was selected a Fellow of the Association.

Gardner was born and raised in McHenry County, Illinois, where his brother still operates the family dairy farm. He received a B.S. degree in agricultural science from the University of Illinois in 1964 and a Ph.D. in economics from the University of Chicago in 1968. He and his wife, Mary, live with their two teenage children in Bethesda, MD.

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STATEMENT OF
BRUCE GARDNER
ASSISTANT SECRETARY FOR ECONOMICS
U.S. DEPARTMENT OF AGRICULTURE
BEFORE
THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE AND RELATED AGENCIES

FEBRUARY 22, 1990

Mr. Chairman, U.S. agriculture has passed through a trying decade. The events of the 1980's in their historical context are spelled out in the statistical appendix of this testimony. In my remarks this morning, I would like to tell the story in a more general sense. The main topics that I would like to cover are: (1) What went wrong in the 1980's and why; (2) what was done about the problems that emerged; (3) what occurred as a result of the policy steps that were taken; and (4) where we find ourselves today as we begin the 1990's.

What went wrong in the 1980's? The key elements that must be examined in this connection have to do with the fundamental fact that the United States in the 1970's and 1980's became more than ever before a part of the world agricultural economy. U.S. agriculture had become more reliant upon foreign markets as U.S. agricultural exports increased by fivefold in the 1970's to $43 billion in 1981 and one-third of major U.S. crop production went to export markets. The events that, more than any others, caused the U.S. farm problems of the 1980's were related to the world economy.

As export demand growth slowed, both the volume of world trade and the U.S. share of that trade were lower in the 1980's.

prices as seen by foreign buyers still higher and inflexible. Also, the Soviet grain embargo not only rechanneled demand for U.S. grain, it led to policies that further isolated U.S. grain from the market at even higher prices. Moreover, our loan rates, especially when expressed in the currencies of foreign sellers, and willingness to hold stocks at relatively high world price levels created an umbrella under which acreage of program crops could expand in other countries, still further worsening the U.S. relative position. In addition, high levels of price support in the European Community and other industrial countries encouraged their producers to maintain and even increase output despite the weakening world market.

These global events may have once been seen as remote to U.S. farmers, but the events of the 1980's brought agriculture's vulnerability to worldwide events starkly into focus. As export demand slackened, U.S. commodity prices fell to support levels, stocks reached record levels and it became apparent that the price weakness was not just a temporary phenomenon of a particular year. U.S. land prices, which had reached unsustainable heights in the heady optimism of the 1970's, began to weaken. After reaching a peak of $823 per acre in 1981 land prices fell by a third in the next 5 years.

The decline in land prices and in the prices of associated fixed assets reduced farmers' asset values. Overall, U.S. farm assets declined by over $300 billion during the first half of the 1980's. Those who had large debts, especially if they had bought land at the peak prices of the early 1980's, found themselves in serious financial difficulty as interest rates rose to 15-20 percent during the early 1980's. The incidence of farm financial stress, bankruptcy and other problems accelerated rapidly throughout the first part of the 1980's. By January 1985, the Economic Research Service estimated that over 11 percent of U.S. commercial farmers were financially vulnerable--defining that term to mean having negative net cash income and a ratio of debts to assets of greater than 40 percent. Those were the days when farm foreclosure auctions seemed to be a regular feature of the the evening TV news.

The U.S. policy response to this situation involved many different activities but from the point of view of impact on the agricultural economy there were three major elements to the policy attack. First, steps were taken to help the U.S. become more competitive in world markets. A major focus of the Food Security Act of 1985 was on regaining U.S. competitiveness. Commodity loan rates were reduced so they would not prop up world prices and a record amount of export assistance was provided to counter subsidies of competitors. Also, monetary policies and fiscal policy legislation such as the Gramm-Rudman-Hollings legislation to reduce the budget deficit were put in place to keep inflation in check and to help reduce interest rates.

Second, steps were taken to support farm income and improve farmers' financial position. Farm program support averaged $18 billion over FY 1986-89 compared with $3-4 billion during the

1970's. The Farm Credit Act of 1987 provided relief to many financially stressed farmers through provisions for debt restructuring and write-offs. A record amount of disaster assistance was also provided in recent years--some $5.5 billion in just the past 2 years.

Third, steps were taken to reduce commodity surpluses. The 1985 Act required acreage reduction programs when stocks were in surplus. The use of commodity certificates provided a means to market excessive stocks that would otherwise have been locked up at ever-increasing taxpayer expense--stocks such as those securing CCC loans and CCC-owned stocks. Food donation programs and export assistance programs were also geared to reducing surpluses.

Subsequent events indicate that these policies and programs, in conjunction with adjustments made by farmers, worked quite well. U.S. agriculture has regained its competitiveness. The U.S. share of world grain trade is now back to near 50 percent compared with 35 percent in 1985. Total U.S. agricultural exports for FY 1989 were nearly $40 billion, over 50 percent higher than FY 1986. A drop of nearly a fourth in the value of the dollar and an upturn in global economic growth helped spur this export turnaround.

Surplus stocks have now been removed and farm prices have increased. Food grain and cotton stocks are now down to pipeline levels and the index of all farm prices reached a record high in January. Cash farm income for 1990 is expected to increase 2 to

4 percent and could be near the 1988 record of $57 billion. Farmers' debt-to-asset ratio is expected to further decline in 1990 to 14-15 percent compared with 23.5 percent in 1985. The proportion of financially vulnerable commercial farms has dropped to 6 percent compared with 11 percent in January 1985. Land prices are expected to increase in 1990 for the third straight year. And farm debt is expected to increase just slightly but will still be some $55 billion below the 1983 peak.

Of course, these policies were quite costly in budgeting terms, as indicated earlier. The challenge before us now is to prevent such economic problems and the costs necessary to remedy them from recurring.

As we move into the 1990's many global developments now brewing will help to shape the future of U.S. agriculture. Environmental and food safety concerns may alter the mix of agricultural production resources both in the United States and abroad. New advances in technology and biotechnology are expected to increase the productivity and competitiveness of nations which can take advantage of them. A favorable outcome of the current round of GATT negotiations would change the pace and direction of world agricultural trade in ways that we are convinced would be beneifical to U.S. agriculture and our economy generally. Economic developments such as those in the Soviet Union and Eastern Europe will likely alter global food demand in the longer term. The future pace of global economic growth and debt resolution will determine the growth of world food demand.

The outcome of these events remains to be seen. What follows is our best assessment of the immediate outlook for global and U.S. agriculture.

World economic expansion is expected to continue to be strong in 1990 with real gross domestic product averaging about 3.1 percent, down from 3.6 percent last year, but still a healthy rate. Generally, we anticipate growth to slow slightly in developed economies but remain about the same or rise in less developed and centrally planned economies. World inflation is expected to decline in 1990 after increasing rapidly during the prior 3 years. These directions in economic growth and inflation should help maintain global demand for farm products. Also helpful for U.S. demand are rising interest rates in Japan and West Germany, compared with U.S. rates, which should put downward pressure on the U.S. dollar exchange rate.

Although slowing, U.S. economic growth is expected to be about 2.5 percent in 1990, the eighth consecutive annual expansion. Other major U.S. economic indicators point toward improved domestic demand for farm products in 1990: the prime interest rate is expected to average about 10 percent, down 1 percentage point; unemployment is expected to hold around last year's low level of 5.3 percent; and real per capita disposable income should continue to increase at an annual rate of about 2 percent.

Exports of U.S. agricultural products are a barometer of financial strength in U.S. agriculture, and in FY 1990 exports are expected to total $38.0 billion, up 44 percent from 1986. The United States has benefited from adequate supplies, competitive pricing, and the overall expansion in world trade since the mid-1980's as importing countries have had greater foreign exchange earnings to finance purchases. Total world merchandise trade has grown 15 percent annually in recent years after declining over much of the early 1980's. Likewise, world agricultural trade has expanded by about 11 percent per year over the past 3 years.

Exportable supplies of major U.S. crops have declined sharply in recent years. This decline has largely been the result of expanded use and the droughts in 1988 and 1989. Total feed grain use for 1989/90 is expected to be a record high of 239 million tons as exports climb 8 percent to 66 million tons, the highest level since 1980/81. Worldwide, coarse grain consumption has exceeded production for the past 3 years, pushing world trade to an expected total of more than 100 million tons for 1989/90, the third highest on record. The U.S. share of coarse grain trade is forecast to climb to 67 percent, well up from 44 percent in 1985/86.

Prospects for future U.S. feed grain exports appear bright as many countries seek to improve their diets and expand protein consumption. The Soviet Union has already purchased 11 million tons of U.S. corn this marketing year after record purchases of nearly 17 million tons last year. Last year, the Soviets accounted for nearly a third of total U.S. corn exports.

U.S. wheat exports for the current marketing year are expected to be 1.3 billion bushels, down 8 percent from 1988/89 and nearly 20 percent below 1987/88. The U.S. share of world trade will slip to 36 percent this season, compared with 39 percent last season. U.S. wheat supplies for the current marketing year are down 1.2 billion bushels from 2 years earlier due largely to the 1988 and 1989 droughts. Likewise, world wheat consumption has also exceeded production for the third straight year. Tight U.S. and global supplies have pushed world wheat prices upward. Over the past 18 months world wheat prices have averaged $170 per ton, $55 above 1986-87. These prices will encourage production from major competitors this year, making it difficult to greatly expand U.S. exports.

U.S. soybean exports are expected to total 590 million bushels for the current marketing year, up 12 percent from the drought-reduced 1988 crop, but down 26 percent from 2 years earlier. The U.S. share of world oilseed trade is continuing its downtrend. U.S. soybean exports will continue to face competition from South America, where oilseed acreage has risen by more than two-thirds since 1981 and a record crop is expected this spring.

U.S. cotton exports are expected to be a bright spot for the current marketing year at 7.7 million bales, the highest level since 1979's record 9.2 million bales. Global cotton use has exceeded production for 4 straight years, helping to push world trade to 25 million bales this year, third highest ever. The

U.S. trade share is expected to be 31 percent, compared with the long-term average of 29 percent. With current tight supplies and high world prices, foreign production, especially in China, Pakistan, India, and Australia, will likely be up in 1990/91. Thus, it is not likely the United States will be able to maintain the current relatively high export level next season.

Exports of U.S. rice are expected to total 82 million hundredweight for 1989/90, down 4 percent from 1988/89 but up 14 percent from 1987/88. World trade for calendar 1989 reached a record 15 million tons as total consumption was record high in each of the last 2 years. U.S. exports for calendar 1990 will likely decline due to expected lower imports by Mexico, Peru, and the Middle East.

U.S. citrus exports will likely fall in 1990 as a result of the severe December freeze. For the same reason, U.S. imports of frozen orange juice and some fruits and vegetables will likely increase this year.

U.S. meat exports have reached new heights. Exports for 1990 are expected to total a record 2.6 billion pounds, more than double the 1986 level. Meat exports have been boosted by reduced import restrictions in Japan and Korea and unprecedented poultry sales to the Soviets. Beef exports will likely total a record 1.2 billion pounds in 1990, and poultry exports will likely surpass the 1989 record of 1.0 billion pounds. The outlook for U.S. meat exports is favorable under expected strong global demand, especially if foreign import restrictions are further reduced.

Increased consumption and output reduction due to drought raised overall farm prices to a record high in 1989. The index of prices received by farmers for all farm commodities averaged 7 percent above 1988. Using the same index, farm prices will likely fall about 3-4 percent in 1990 as production of major crops increases. Prices for the 1990 crops of corn, wheat, cotton, and rice will likely fall as acreage increases, assuming average weather and yields. Soybean prices could also be down slightly due to increased South American supplies.

Due to continued strong demand, cattle prices in 1990 are expected to be up slightly even though total production is also expected to be up 2 percent. Hog prices are expected to average more than 10 percent higher in 1990 as production declines. We expect both broiler and turkey prices to average about 10 percent lower due to increased production and record total meat supplies. Total poultry production for 1990 is expected to surpass beef production for the first time. Egg and milk prices are expected to decline rapidly from current record highs as production increases during 1990. Overall milk prices could average $1.00 per hundredweight below 1989, and egg prices 10 percent or more below 1989.

We anticipate a rise in the food CPI in 1990 over 1989 of 3 to 5 percent, compared with a 5.8 percent increase in 1989 over 1988. Record meat supplies and larger production of food grains will keep the farm component of food prices lower while overall slower inflation will dampen the nonfarm component. The December freeze will likely raise citrus prices throughout the year and also increase overall fresh fruit and vegetable prices in the first quarter of 1990. However, the freeze will add less than 0.5 percent to the overall food CPI since fruits and vegetables account for only about 7 percent of the overall food CPI.

Acreage reduction programs (ARPs) for wheat, cotton, and rice have been reduced for the 1990 crops, while the ARP for feed grains is unchanged. We believe wheat plantings may rise about 3 million acres, cotton by 2 million, and rice up just slightly. Corn acreage in 1990 could be up about 3 million acres due to less acreage idled in the 0/92 program, less acreage planted to soybeans under the 0-25 program, and less acreage idled under the corn program as a result of lower participation. Soybean acreage will likely decline, perhaps by 2 million acres, since farmers will be facing lower expected prices at planting time as a record South American crop comes onto the market. Lower expected prices will also mean less soybean acreage in the 0-25 program.

It is expected that some 18 to 19 million acres will be idled by the annual programs in 1990. Total acreage idled in 1990 will be about 53 million acres after adding the 34 million acres enrolled in the Conservation Reserve Program (CRP). Total acreage idled in 1989 was 60 million acres, 30 million in the annual programs and 30 million in the CRP.

Net cash farm income is expected to total $52-57 billion in 1990, up from $53 billion in 1989 and second only to 1988's record $57 billion. Cash receipts from farm marketings are expected to be record high. Livestock receipts should be near the 1989 record of $83 billion, and crop receipts are expected to be up $2-$5 billion from $75 billion in 1989, also reaching a new record high. Cash farm production expenditures are expected to remain near the 1989 level with a decline in feed costs offset by increases in other production inputs, such as fuels and fertilizer. Partially offsetting record receipts will be smaller government payments, probably $1-$2 billion lower, mainly due to smaller disaster payments.

With another strong income year, farmers' balance sheets should continue to improve in 1990. Farm assets are expected to increase about 4 percent to around $1,015 billion, while debt rises only slightly above last year's level of $145 billion. Underlying the increase in total assets is an expected increase in land values of 4 to 7 percent after a 7-percent increase in 1989. Thus, farm equity is expected to increase by 4-5 percent to around $865 billion.

Farm program outlays for FY 1990 are expected to total $8.2 billion, down from $10.5 billion a year earlier and $25.8 billion in FY 1986. Under current law, outlays for FY 1991 are expected to increase by about $3.5 billion due to higher deficiency payments for 1990-crop grains as production increases and prices fall. The $8.2 billion estimated for 1990 includes the costs of disaster payments under the Disaster Assistance Act of 1989. However, the estimate does not include $1.8 billion in payments made under the Conservation Reserve Program, which is now funded through direct appropriations.

In summary, U.S. crop production in 1990 will likely rise and prices fall for some major crops. However, larger crop marketings are expected to more than offset any price declines. With crop receipts expected to be record high, livestock receipts near last year's record, and overall production expenses holding steady, 1990 cash farm income should be near the record 1988 level. Farmers' overall financial position should also improve as their debt-to-asset ratio continues to decline.

Although the current outlook for U.S. agriculture appears bright, a word of caution is in order. Over history, real U.S. farm prices have trended almost steadily downward due to gains in production efficiency. These gains have ensured the United States of being competitive in world markets, and U.S. agriculture now depends upon foreign markets for about a third of its major crop production. Future U.S. competitiveness will depend to a large degree on the policies put in place during the 1990's. That is the reason a successful conclusion to the GATT negotiations and continuation of market-oriented farm policies began in the 1985 Farm Bill are so important to U.S. agriculture.

Mr. Chairman, that completes my statement. I would be pleased to respond to any questions that you or Members of the Subcommittee might have.

For release only by
the House Committee
on Appropriations

THE 1990 AGRICULTURAL OUTLOOK

Appendix to Statement by
Bruce Gardner
Assistant Secretary for Economics
U.S. Department of Agriculture
before

The House Appropriations Subcommittee on
Rural Development, Agriculture and Related Agencies

February 22, 1990

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OVERVIEW OF 1990 PROSPECTS

* The global and U.S. outlook for 1989/90 is for a rebound in commodity output from the weather-reduced levels of the previous season. For most crops, however, consumption will increase more than production causing stocks to decline further from carryin levels. In 1990, world animal product output will rise slightly, lead by an increase in U.S. poultry. Domestically, this scenario suggests stable incomes and rising equity for farmers and for consumers, a slower rise in food prices than in 1989.

* In 1990/91, assuming trend yields, U.S. and foreign production of many crops will rise, and some stock rebuilding may take place. Crop farmers will be responding to prices at planting time that generally will be above pre-drought levels and to smaller wheat, rice, and cotton acreage reduction requirements in the United States. U.S. meat output could rise 2.5 percent in 1990, with a little more beef, less pork, but 6 percent more poultry.

* Several uncertainties make the 1990/91 outlook difficult to forecast. While December precipitation improved moisture conditions for U.S. winter wheat, unseasonably warm weather across much of the Great Plains has made wheat vulnerable to renewed cold and more moisture will be need in months ahead for crop development. For U.S. spring-planted crops, timely moisture will be required in the Great Plains and Western Corn Belt. Sweeping political change in the Eastern Bloc nations make those markets highly unpredictable. Finally, agricultural policy will be determined by the outcome of new farm legislation and GATT negotiations.

* Net cash income in 1990 is expected to reach more than $50 billion for the fourth consecutive year, exceeding 1989 by 2 to 4 percent. Farmers' cash receipts will be record high, Government payments will decline with smaller disaster payments and farm production costs may be stable.

* The farm financial picture is favorable. Although farm debt may increase slightly (ending a 6-year trend of debt retirement), rising land values will enhance farmers' assets, bolstering their equity position 4-5 percent. The debt to asset ratio may decline slightly, for the fifth year in a row.

* World grain production is forecast up more than 7 percent in 1989/90, with U.S. output rising 38 percent and foreign up 3 percent. World wheat, coarse grain and rice output are all larger this season. World oilseed production is registering strong gains, while world cotton production is declining.

* Global and domestic stocks of most crops, reduced by drought in 1988/89, are likely to tighten further by the end of 1989/90. Although world harvests of most crops were larger this season, use will exceed production, cutting further into ending stocks. World stocks of wheat, coarse grains and cotton will show the greatest decline, while soybean stocks will recover from a reduced level.

* World grain trade, up 2 percent, will be the largest since 1984/85. The U.S. share of almost 50 percent compares with only 35 percent in 1985/86. The U.S. share of world soybean and product trade, forecast at 35 percent, continues its decline while more competitive prices are raising the share for cotton to 31 percent, best since the mid-1980's.

* U.S. farm exports for the fiscal year ending September 30 are forecast more than $1 billion below the $39.7 billion of fiscal 1989, mainly because of lower grain and oilseed prices. Export volume may be close to the 148 million tons of the previous year. The U.S. share of world farm trade may be near its long-term average of 25 percent. The agricultural trade surplus is falling to about $17 billion from $18.2 billion in fiscal 1989.

* U.S. wheat output is up 12 percent in 1989/90. While U.S. wheat exports may drop 8 percent, total use is exceeding production, leaving the lowest ending stocks since 1974/75. U.S. 1989/90 feed grain production rose by half, but with lower carryin stocks total supplies are only up slightly. Both domestic use and exports are up, and stocks may drop by one-fourth. However, they would still equal 2.5 months of use.

* World soybean production in 1989/90 is forecast 13 percent higher, reflecting a 24-percent recovery for the United States and a record South American crop. A moderately larger U.S. soybean crush and exports are likely to leave ending stocks ample in relation to use. Lower farm prices and expected returns may reduce 1990 soybean acreage.

* The world and U.S. sugar situation is highlighted by rising consumption, falling stocks and higher prices. Adverse weather has reduced 1989/90 U.S. sugar production marginally below the drought-affected 1989 level. Domestic sugar use is increasing for the fourth year following a decade of decline.

* Very tight foreign supplies of cotton and competitive U.S. prices are boosting 1989/90 U.S. cotton exports to a forecast 7.7 million bales, one-fourth above last season. Mill use is rising about 5 percent. With the smaller 1989 U.S. crop, stocks this season are likely to drop by half to 3.5 million bales, below the 4-million-bale 1985 Farm Bill target level. Prospects for slightly weaker domestic use and exports in 1990/91 and larger acreage point to a moderate recovery in carryover stocks.

* U.S. total meat production may rise more than 2 percent above the 1989 record this year, including more beef, less pork and more poultry. Broiler production is expected to increase strongly again this year. Hog prices may average several dollars per cwt above the 1989 level while cattle prices increase slightly and broiler and turkey prices decline. Reflecting larger poultry supplies, per capita meat consumption could surpass the record level of the past two years by 2 to 3 pounds.

* Milk production, static in 1989, could rise 1 to 3 percent this year, responding to record milk prices this winter, lower feed costs and a return to more normal forage conditions following the 1988 drought. Milk prices are expected to decline sharply in the first half of 1990, and for the year average about $1.00 per cwt lower than in 1989.

* Upward pressure on food prices may ease in 1990. Retail prices could rise by 3 to 5 percent, compared with an increase of 5.8 percent in 1989. Supplies of most foods will be more ample, led by large supplies of poultry. Growth in consumer demand may slow from the past two years and a lower rate of inflation will slow increases in food industry costs.

WORLD OUTLOOK
MACROECONOMIC CONDITIONS

* World economic growth averaged 2.9 percent in the 1980's. The developed countries grew by 2.8 percent and the less developed countries expanded 3.4 percent in the decade. While a slowdown in 1990 is forecast for the developed sector, the developing countries will experience faster growth. Asia will continue to lead world growth and Latin America will stage a recovery.

* After a slow fourth quarter in 1989, U.S. economic activity is projected to be about 2.5 percent in 1990. Spending on new plants and equipment and exports are expected to contribute most to GNP increases. Inflation is likely to 1 moderate, with a 3.5 to 4 percent range projected. Moderate economic growth and slowing inflation will likely allow interest rates to fall slowly, putting some downward pressure on the value of the dollar. Foreign growth in excess of U.S. growth, and modest currency movements, will combine to produce a modest improvement on real net exports in 1990.

* World inflation is expected to slow this year, principally due to some easing in the developed countries.

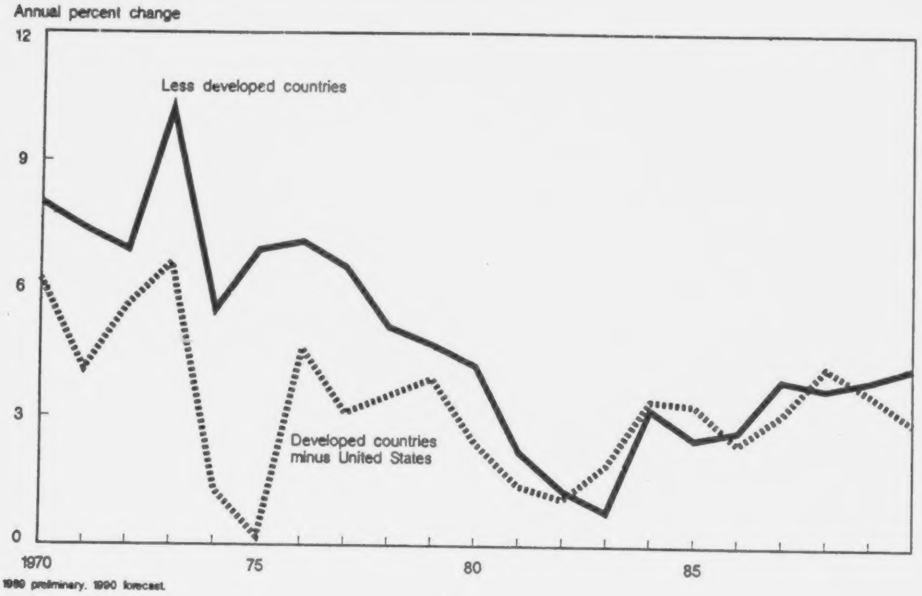
* The robust outlook for growth in Asia, including China, is driven increasingly by intra-regional trade, particularly with Japan. The world's fastest growing region is the Pacific Basin, led by the four newly industrializing countries of South Korea, Taiwan, Hong Kong, and Singapore. Despite strong export growth, Asia's overall trade balance, excluding Japan, is increasingly negative as imports from the rest of the world rise faster.

* The U.S. dollar's exchange value has declined sharply against the German mark starting in 1989's last quarter, largely due to higher interest rates in Germany and lower rates in the U.S. Although interest rates in Japan have risen along with those in Germany, more than a percentage point disadvantage against relatively higher U.S. rates still exists, keeping the yen per dollar exchange rate at around its September 1989 level.

* World population continues to rise, but the rate of increase is slowing. Total world agricultural production is increasing and there has been slight gains in output per person.

* Prices received by U.S. farmers, deflated by GNP, have been trending downward since 1910 although there has been considerable year to year variation. Prices have risen moderately during the past couple of years reflecting tighter crop supplies and expanding world trade.

Economic Growth Abroad



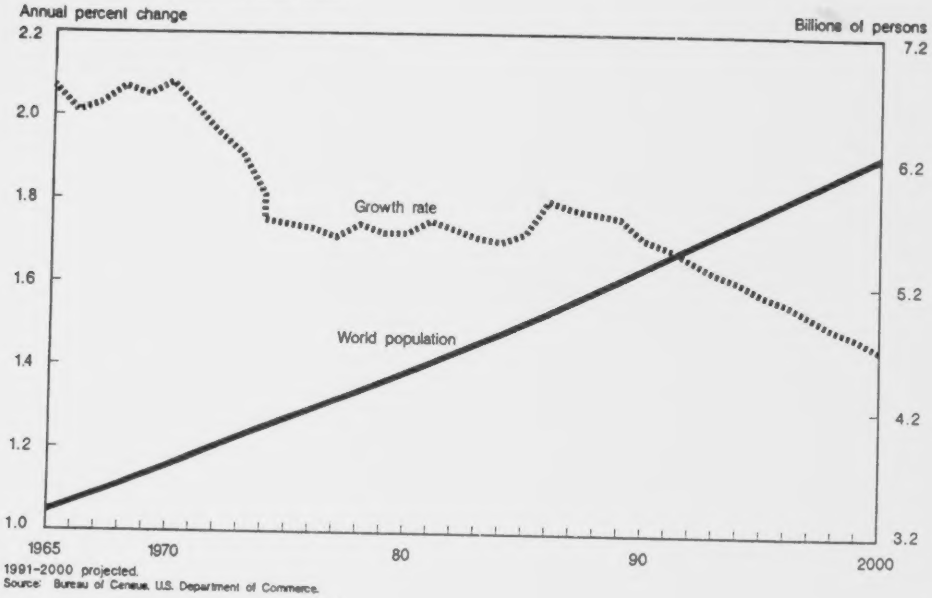
1989 preliminary, 1990 forecast.

Economic Growth

Region	1980-85	1986	1987	1988	1989 P	1990 F
			Percent change			
World	2.5	3.0	3.6	4.3	3.6	3.1
United States 1/	2.3	3.0	3.5	4.4	2.9	2.5
Developed Countries Less U.S.	2.3	2.7	3.4	4.2	3.6	2.9
Less Developed Countries	3.0	3.7	4.5	3.7	3.9	4.2

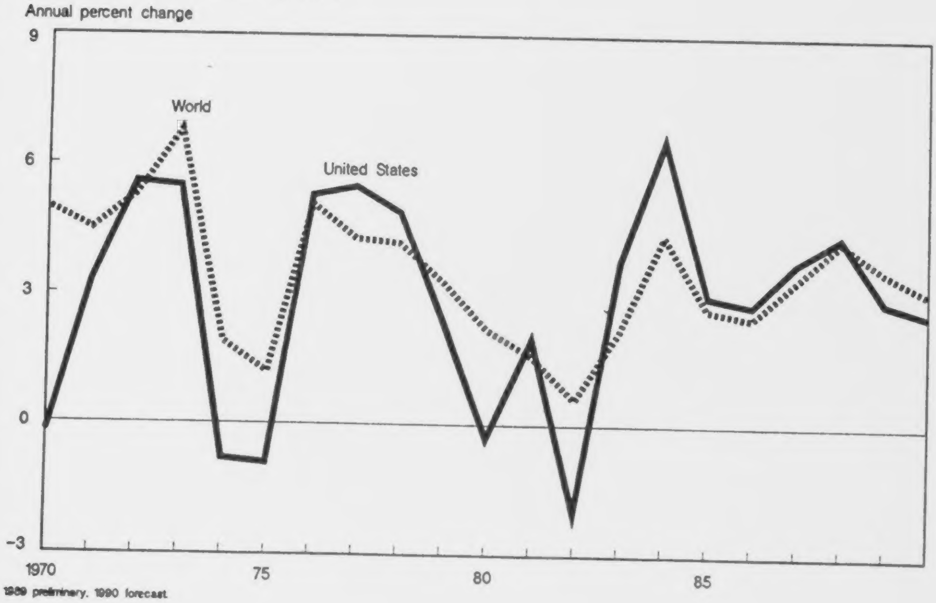
1/ CEA for U.S. 1990 forecast. Other forecasts by ERS.
P - Preliminary. F - Forecast.

World Population and Growth Rate



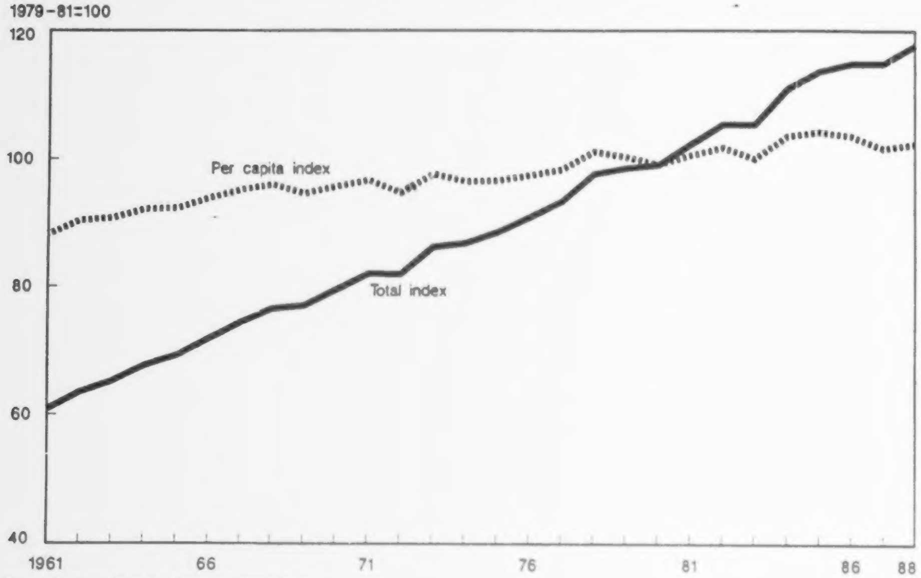
1991-2000 projected.
Source: Bureau of Census, U.S. Department of Commerce.

World and U.S. Economic Growth



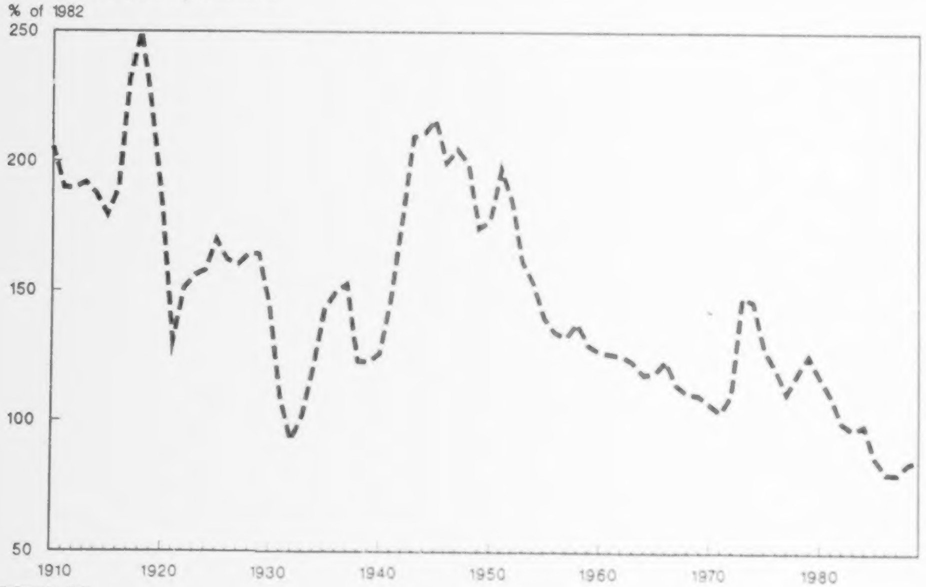
1989 preliminary, 1990 forecast.

World Agricultural Production Index Total and Per Capita



Source: Food and Agriculture Organization, United Nations.

Prices Received by Farmers



Deflated by GNP

FARM FINANCIAL CONDITIONS

* Net cash farm income is expected to be more than $50 billion for the fourth consecutive year. Two to five billion dollars higher crop receipts will push cash income up 2 to 4 percent to the mid-$50 billion range.

* The combination of record-high crop sales and record-tying livestock sales is projected to raise total sales by $2-$4 billion to a range of $160-$163 billion in 1990. Direct payments to farms may fall by $1 billion or more as disaster assistance declines from nearly $3 billion to less than $1 billion. Total government payments this year will decline to 4 to 6 percent of total gross farm income, down from nearly 10 percent in 1987.

* A 15 percent expected decline in feed costs will offset 2-4 percent increases in fertilizer, fuels, repairs, and depreciation. Interest expense is expected to remain stable for the fourth consecutive year, illustrating farmers' more conservative approach to financing. Total production costs are expected to remain stable at around $141 billion.

* Net cash income per farm is expected to increase in 1990 from both farm and off-farm sources. Income from off-farm sources will continue to comprise over 50 percent of average per farm income. But off-farm income will be less than 20 percent of income for commercial farms ($40,000 or more of annual sales).

* Farm equity is expected to rise 4-5 percent in 1990. Farm assets likely will increase, due mainly to an expected 4-7 percent increase in land values. Farm debt is expected to increase by 1 percent, ending a 6-year trend in annual debt retirement.

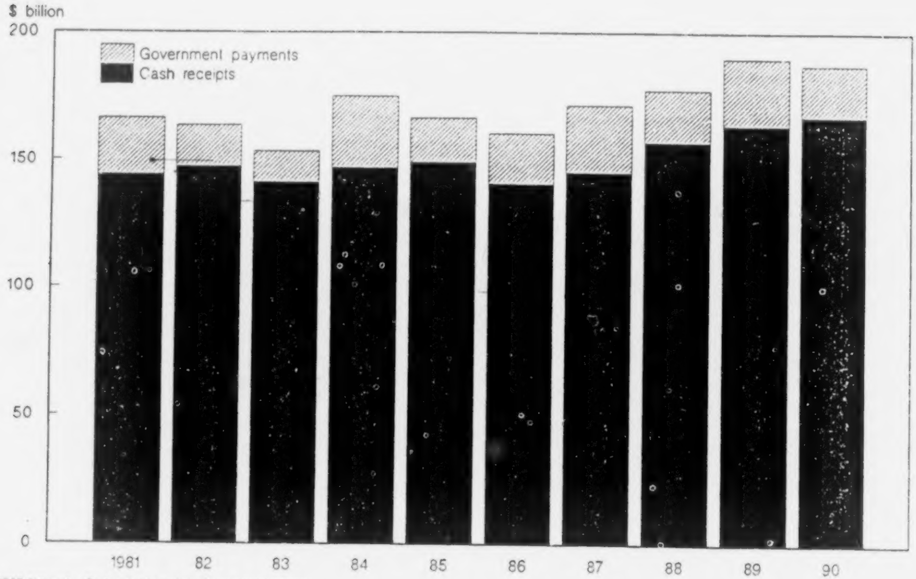
* Farm assets and equity per farm and per commercial farm are expected to increase about 5 percent in 1990, while farm debt per farm may increase only slightly.

* The debt-to-asset ratio may decline slightly in 1990 for the fifth year in a row. The net cash income-to-debt ratio is expected to remain stable in 1990.

* As of January 1, 1989, farm operator households classified as vulnerable to stress remained nearly equal to the year earlier level.

* Net outlays for U.S. farm programs in fiscal 1991 under current law are expected to increase by over $3 billion, due mainly to increased direct cash outlays.

Gross Farm Income



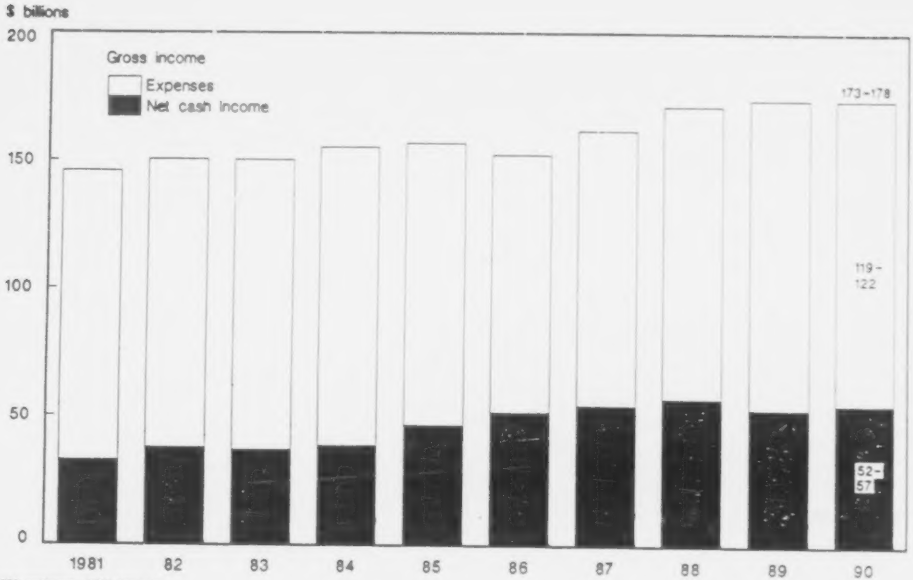
1990 forecast. Cash receipts include farm-related income.

Gross Farm Income

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion dollars			
Gross farm income	149.3	160.4	171.6	177.6	190	185-190
Government payments	1.3	11.8	16.7	14.5	11	8-11
			Percent			
Government payments as percent of gross farm income	0.9	7.4	9.7	8.2	5.8	4-6

P = Preliminary. F = Forecast.

Cash Farm Income



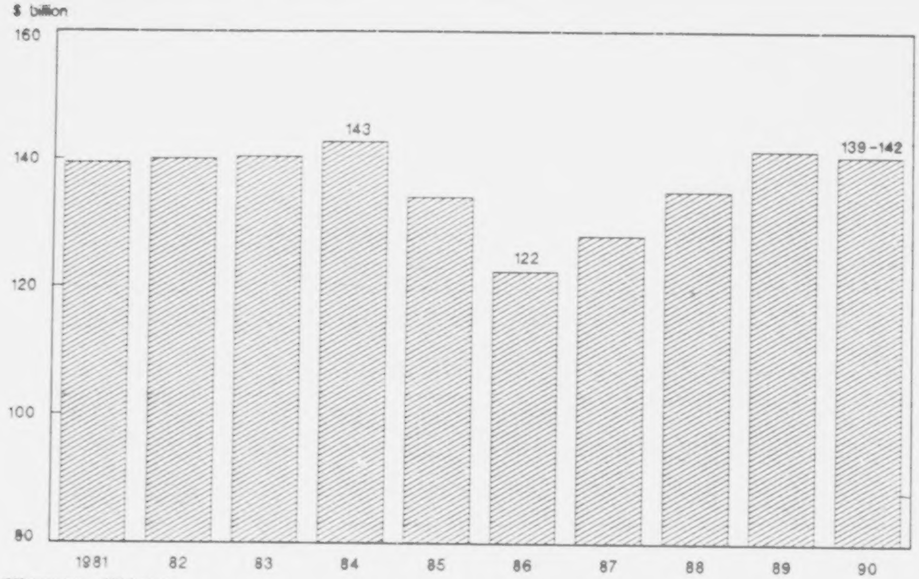
1989 preliminary, 1990 forecast.

Farm Income and Gross Farm Income Components

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion dollars			
Gross cash income	143.3	152.5	162.0	171.6	174	173-178
Cash expenses	109.1	100.7	107.5	114.4	121	119-122
Net cash income	34.2	51.8	54.5	57.2	53	52-57
Gross farm income	149.3	160.4	171.6	177.6	190	185-190
Value of inventory change	-6.3	-2.7	-.4	-4.3	5	1-3
Livestock receipts	68.0	71.5	75.7	78.9	83	80-83
Crop receipts	71.7	64.0	63.8	72.6	75	77-80
Government payments	1.3	11.8	16.7	14.5	11	8-11
Other income	14.6	15.7	15.8	16.0	16	15-17
Net farm income	16.1	38.0	43.6	42.7	48	44-49

P - Preliminary. F - Forecast.

Farm Production Costs



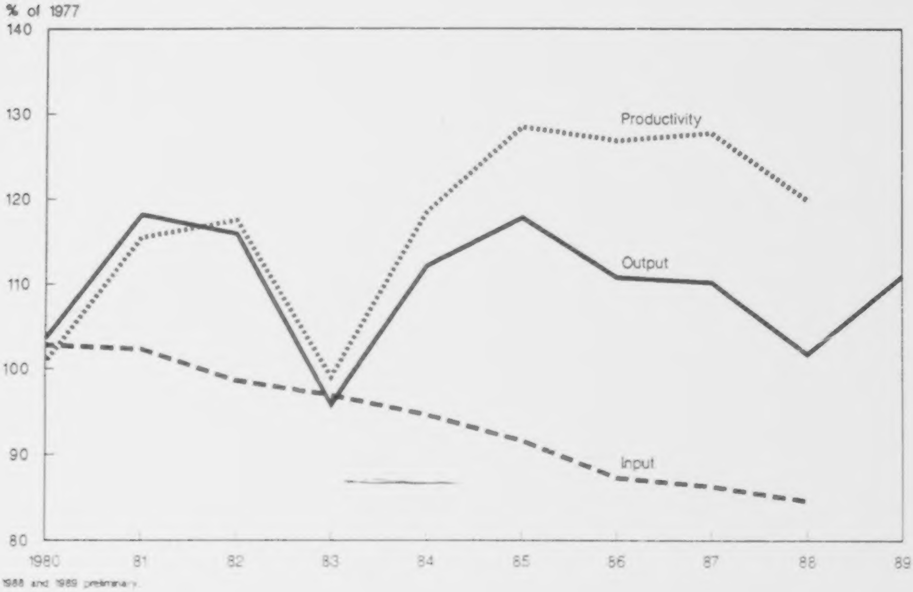
1989 preliminary 1990 forecast

Farm Production Cost Components

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion dollars			
Feed and livestock purchased, total	31.6	25.9	30.8	35.3	37	32-35
Seed and fertilizer, total	12.7	8.8	9.2	10.1	12	10-14
Fertilizer (excludes lime)	9.1	5.5	5.9	6.7	7	7-9
Fuels and oils	7.9	4.8	5.0	5.1	6	5-7
Short and long term interest	16.3	16.9	15.5	15.2	15	14-16
Taxes and rent	10.0	10.8	11.4	11.9	12	12-14
Depreciation	21.5	18.9	17.7	17.7	18	17-19
Other 1/	33.1	36.2	38.5	39.6	42	41-45
Total production costs	133.1	122.4	128.0	135.0	141	139-142

1/ Other costs include hired labor, repair and all other expenses.
P - Preliminary. F - Forecast.

Farm Output, Input, and Productivity

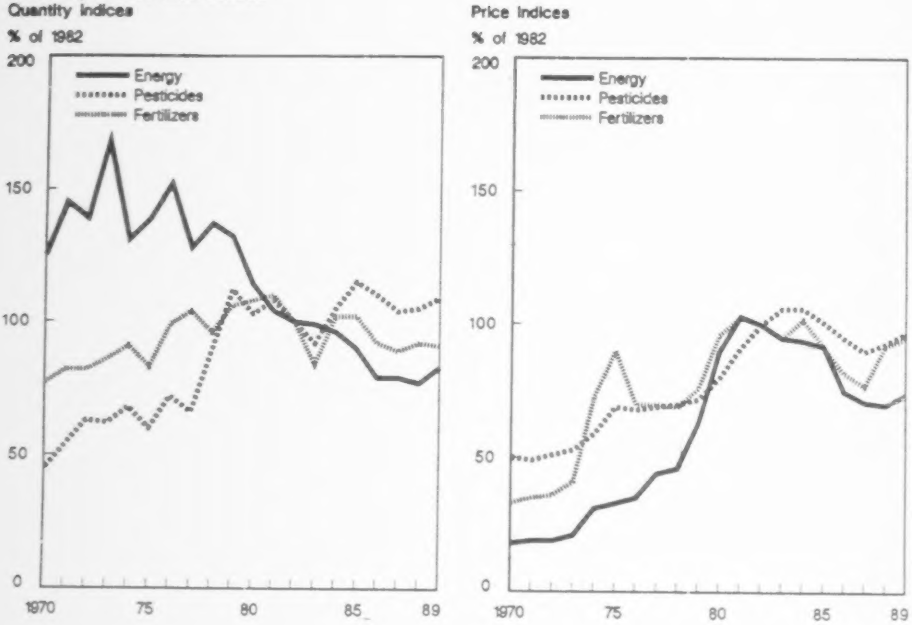


Farm Output, Input and Productivity, 1977=100

Item	1980	1985	1986	1987 ·	1988 P	1989 P
Output	104	118	111	110	102	111
Input	103	92	87	86	85	--
Productivity	101	128	127	128	120	--

P - Preliminary.

Farm Input Use and Prices

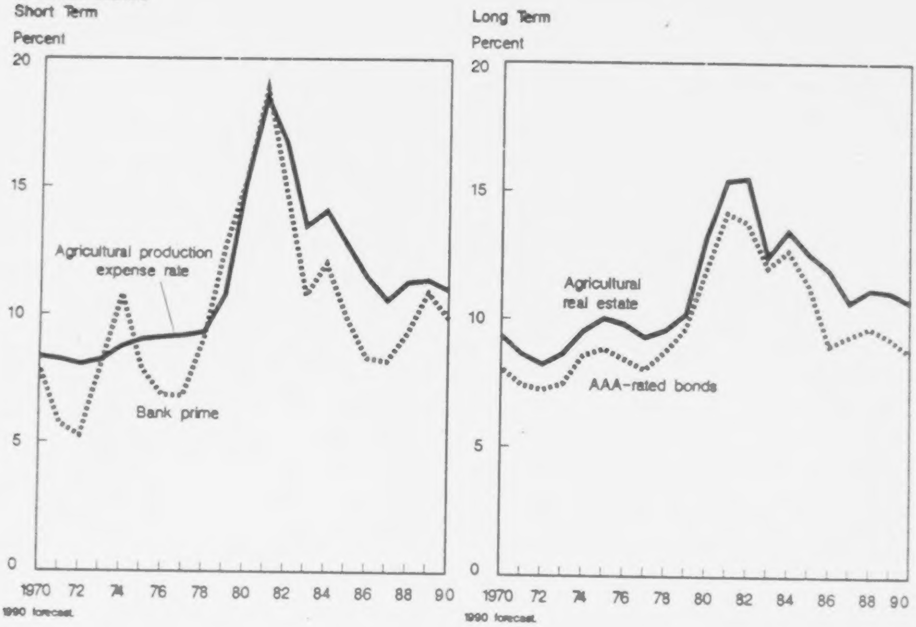


Selected Farm Input Quantity and Price Indices, 1982=100

Item	1980	1985	1986	1987	1988	1989 P
Quantity						
Fertilizer	108	102	92	89	92	91
per acre	109	107	101	105	101	103
Pesticides	103	115	110	104	105	109
per acre	104	121	121	122	122	123
Energy 1/	114	90	79	79	77	83
per acre	115	94	87	93	90	94
Prices						
Fertilizer	96	92	82	77	92	95
Pesticides	80	101	95	90	93	97
Energy 1/	90	92	75	71	70	74

1/ Includes gasoline, diesel fuel, and LP gas. P = Preliminary.

Interest Rates

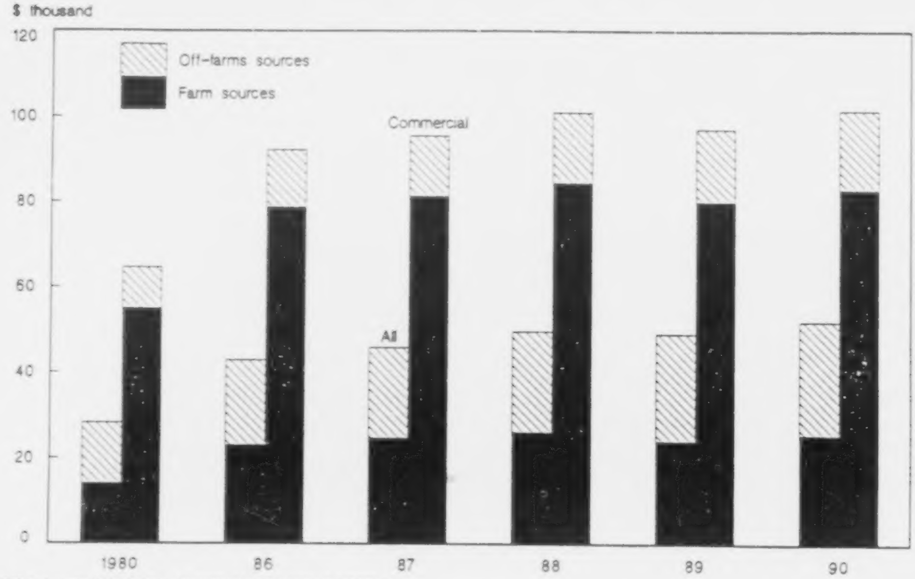


Yearly Average Interest Rates

Item	1980	1986	1987	1988	1989 P	1990 F
			Percent			
Agricultural production loan rate	15.2	11.5	10.6	11.3	11.4	11.0
Bank prime	12.7	8.4	8.3	9.3	10.9	9.9
Agricultural real estate loan rate	13.2	12.0	10.7	11.2	11.1	10.7
AAA bond rate	11.9	9.0	9.5	9.7	9.3	8.7

P - Preliminary F - Forecast.

Net Cash Income per Farm



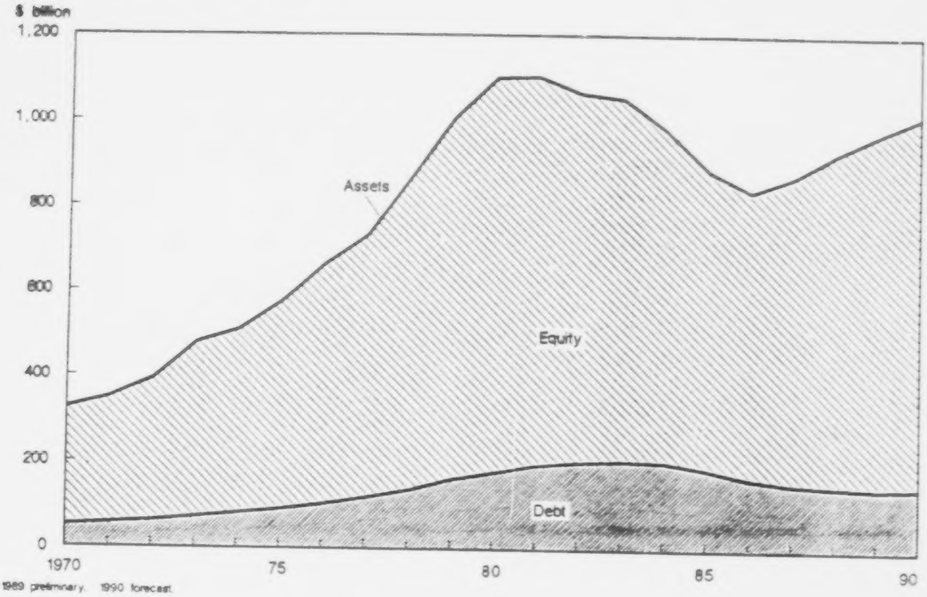
1989 preliminary. 1990 forecast. Commercial farms = sales of $40,000 or more.

Net Cash Income Per Farm, All Sources 1/

Item	1980	1986	1987	1988	1989 P	1990 F
			Thousand dollars			
Income per farm						
Farm sources 2/	14.0	23.0	24.6	26.0	24	24-27
Off-farm sources	14.2	19.8	21.1	23.5	25	25-28
Total	28.2	42.8	45.7	49.5	49	49-55
Income per commercial farms 3/						
Farm sources	54.9	78.7	81.2	84.4	80	81-85
Off-farm sources	9.6	13.4	14.2	16.5	17	17-20
Total	64.5	92.1	95.4	100.9	97	98-105
			Percent			
Off-farm share of total						
All farms	50	46	46	47	51	50-52
Commercial farms	15	15	15	16	18	17-19

1/ Assumes one operator household per farm operation. 2/ Net cash income. 3/ Sales $40,000 or more. P = Preliminary. F = Forecast.

Total Farm Assets, Debt, and Equity



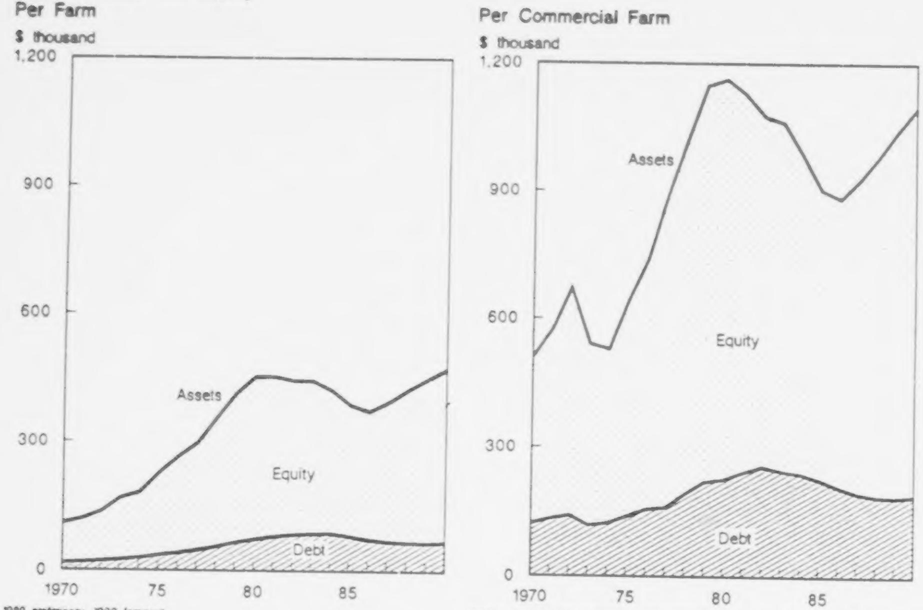
1989 preliminary. 1990 forecast.

Farm Balance Sheet, Including Dwellings

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion dollars			
Assets (Dec. 31)	1,101.6	838.2	873.3	927.9	973	1,010-1,020
Real estate	850.1	602.2	626.3	659.4	703	735-745
Other	251.5	236.0	247.0	268.5	270	270-280
Liabilities	178.7	166.6	153.7	148.5	145	144-150
Real estate	97.5	95.9	87.7	83.0	80	79-83
Other	81.2	70.8	66.0	65.6	65	64-68
Equity	922.9	671.6	719.6	779.4	828	860-870

P - Preliminary F - Forecast.

Assets, Debt, and Equity



1989 preliminary. 1990 forecast.

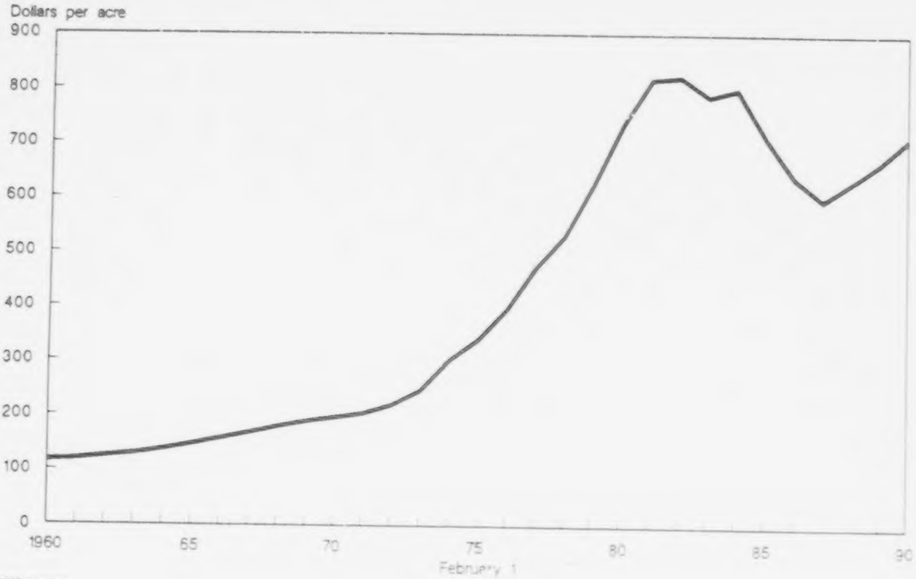
1989 preliminary. 1990 forecast. Commercial farms=sales of $40,000 or more.

Farm Balance Sheet, Including Dwellings, per Farm

Item	1980	1986	1987	1988	1989 P	1990 F
	Thousand dollars					
Assets (Dec. 31)						
All	451.5	372.5	394.6	422.3	448	469-474
Commercial 1/	1,162.9	884.5	928.0	983.0	1,043	1,095-1,105
Liabilities						
All	73.2	74.0	69.5	67.6	67	66-70
Commercial 1/	226.1	208.3	193.7	186.7	185	185-195
Equity						
All	378.2	298.5	325.2	354.8	381	401-405
Commercial 1/	936.8	676.1	734.3	796.3	859	905-915

1/ Sales $40,000 or more. P - Preliminary. F - Forecast.

Farm Real Estate Values



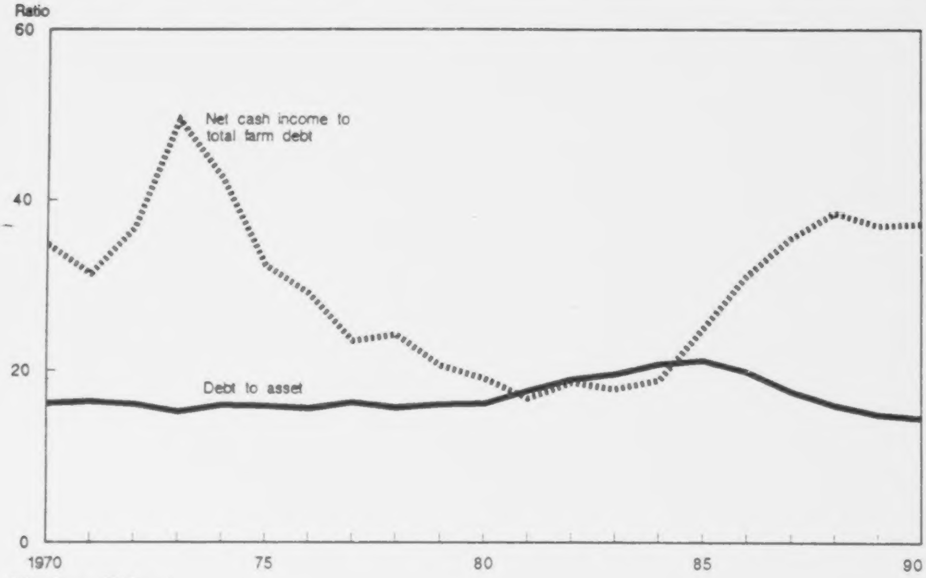
1990 forecast

U.S. Farm Real Estate Values on February 1

Item	1960	1970	1980	1988	1989	1990 F
			Dollars per acre			
Farm real estate values	117	196	737	632	667	705-720

F = Forecast.

Selected Financial Ratios



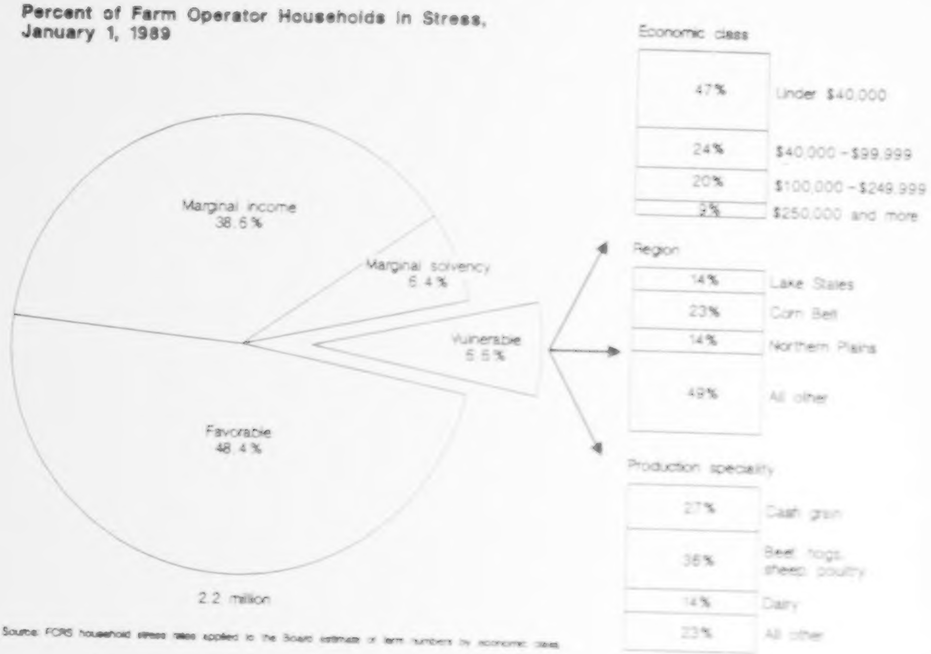
1989 preliminary. 1990 forecast.

Selected Financial Ratios

Item	1980	1986	1987	1988	1989 P	1990 F
			Percent			
Debt to asset ratio	16.2	19.9	17.6	16.0	14.9	14-15
Net cash income to debt ratio	19.1	31.1	35.5	38.5	37.0	36-38
Farm business debt service coverage 1/	1.4	2.6	3.0	3.2	2.9	3.0-3.1
Times interest earned ratio 2/	2.2	3.5	4.3	4.3	4.5	4.4-4.6
Return on assets	.9	4.0	5.1	4.5	4.7	4-5
Prices received to prices paid ratio (1977 = 100)	97	77	78	81	83	75-79

1/ Assesses ability of farm businesses to repay both principal and interest. 2/ Shows the farm sector's ability to service debt out of net income. P = Preliminary. F = Forecast.

Percent of Farm Operator Households in Stress, January 1, 1989



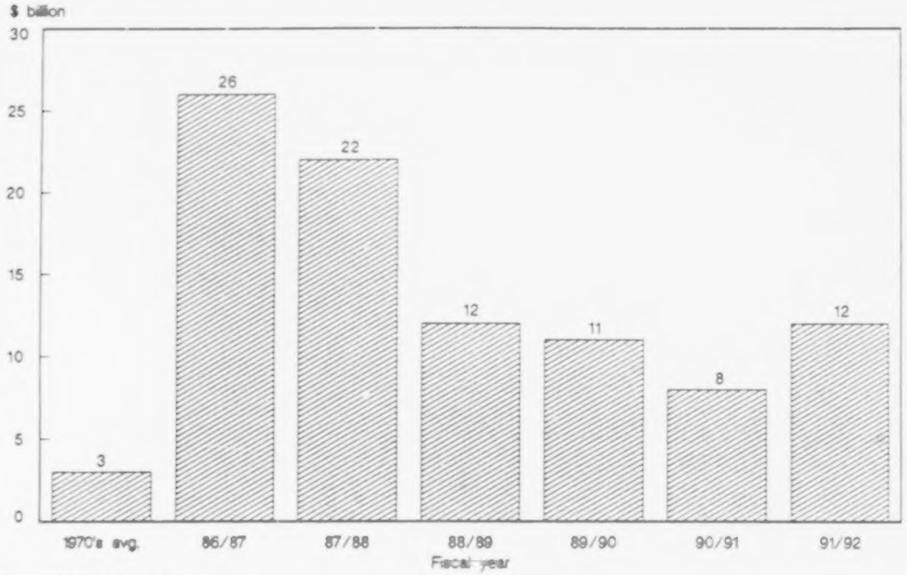
Source: FCRS household stress rates applied to the Board estimate of farm numbers by economic class.

Farm Operator Households in Stress 1/

Item	January 1, 1986	January 1, 1987	January 1, 1988	January 1, 1989
Percent vulnerable	9.8	9.2	6.4	6.6
Percent favorable and marginal	90.2	90.8	93.6	93.4
Number vulnerable (1,000)	220	204	141	143
Number favorable and marginal (1,000)	2,029	2,009	2,057	2,030
Total number of farms (1,000)	2,250	2,213	2,197	2,173

1/ This estimate is based on USDA survey data which is then adjusted to account for the Nation's 2.2 million farms. Farms are grouped into four categories based on their farm incomes and debts relative to assets. The categories of financial stress are: Favorable--positive net cash household income and debt-to-asset ratio of .4 or less; Marginal Solvency--positive net cash household income and debt-to-asset ratio above .4; Marginal Income--negative net cash household income and debt-to-asset ratio of .4 or less; Vulnerable--negative net cash household income and debt-to-asset ratio above .4.

Farm Program Outlays



1990/91 preliminary. 1991/92 forecast.

Net Outlays for U.S. Farm Programs

Item	1986/87	1987/88	1988/89	1989/90	1990/91 P	1991/92 F
			Billion dollars			
Direct cash outlays	6.2	5.2	4.0	5.8	4.5	8.4
Net lending activity 1/	11.9	12.2	-4.6	-2.3	-- 2/	1.4
CCC dairy purchase	2.2	1.2	.6	.4	.5	.5
All other	5.5	3.8	12.4	6.6	3.2	1.4
Total	25.8	22.4	12.4	10.5	8.2	11.7

1/ Commodity loans less payments. 2/ Less than $50 million.
P - Preliminary. F - Forecast.

COMMODITY OUTLOOK
U.S. AGRICULTURAL TRADE

* The current USDA forecast of fiscal 1990 agricultural export volume shows exports of 146 million tons, down slightly from the fiscal 1989 total of 148 million. A revised forecast will be published on February 27, 1990. On the basis of the latest USDA global supply and demand assessment, the revised export forecast will be larger, and will likely exceed the fiscal 1989 total. U.S. corn, cotton, and soybean exports are expected to increase in 1990, offsetting an expected drop in wheat and soybean meal exports.

* Compared with its 1986 low of 110 million tons, U.S. export volume in 1990 will be about one-third higher in 1990. Similarly, the U.S. share of world trade has returned to near its long-term average of 25 percent.

* The slight rise in the dollar that occurred in late 1988 and 1989 will reverse in 1990. The U.S. dollar is expected to depreciate slightly, on average, in our major agricultural markets over the course of this year. Lower U.S. interest rates and higher interest rates abroad, especially in Japan and Europe, explain most of the decline.

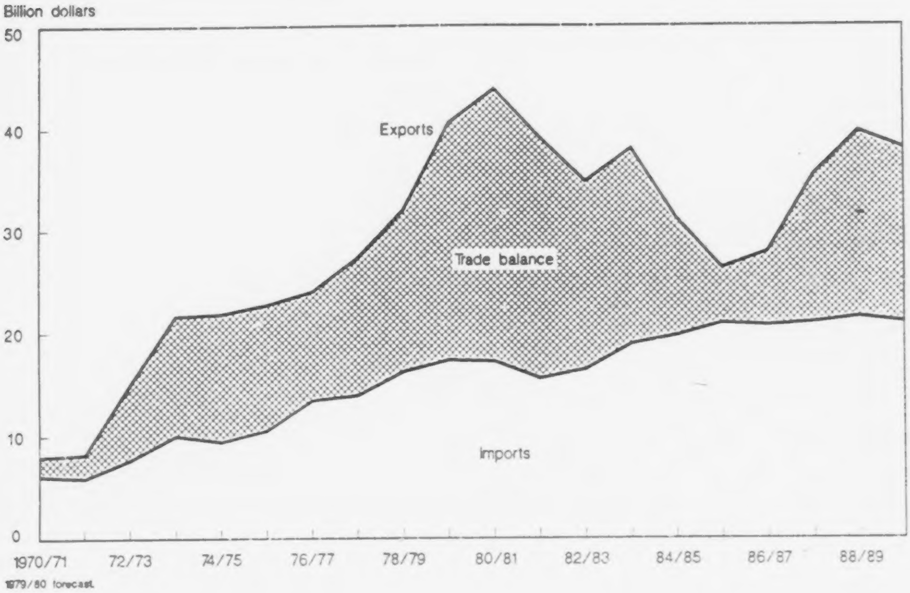
* However, on average, the dollar likely will appreciate against the currencies of our major competitors. The weak economies of Brazil and Argentina, in particular, may lead to rapid nominal and real devaluation of the currencies of those countries to spur exports.

* The value of fiscal 1990 U.S. agricultural exports is forecast to decline more than $1 billion from 1989's $39.7 billion. Lower prices for most grains and oilseeds largely account for what is expected to be the first decline in export value since fiscal 1986. High-value exports are expected to continue growing, but at a slower pace in 1990. High-value exports have particularly benefitted from favorable exchange rates and overseas economic growth since the mid-1980's.

* U.S. agricultural imports in fiscal 1990 are forecast to decline slightly to $21 billion, $500 million below fiscal 1989's record-high. Imports that compete with domestic agricultural production are expected to about equal last year's record $15.2 billion. Competitive imports have risen for 7 consecutive years. Noncompetitive imports are expected to fall for the fourth consecutive year, largely because of lower coffee prices.

* The U.S. agricultural trade surplus is expected to fall in fiscal 1990, from $18.2 billion to about $17 billion. Rapid export growth fueled increases in the surplus between 1986 and 1989, leading it to more than triple from a $5.4 billion low.

U.S. Agricultural Trade, Fiscal Year



U.S. Agricultural Trade 1/

Item	1980	1986	1987	1988	1989	1990 2/
			Billion dollars			
Exports	40.5	26.3	27.9	35.4	39.7	38.0
Imports	17.3	20.9	20.6	21.0	21.5	21.0
Trade balance	23.2	5.4	7.2	14.4	18.2	17.0
			Million metric tons			
Exports	163.5	109.9	129.3	148.4	147.8	145.5

1/ Fiscal year. 2/ - Forecast. A revised forecast will be issued on February 27, 1990.

U.S. Agricultural Exports: Volume by Commodity 1/

Item	1980	1986	1987	1988	1989	1990 2/
			Million tons			
Grains & preparations	116.2	74.4	90.2	108.9	115.0	112.6
Wheat	36.1	25.5	28.2	40.5	37.8	33.0
Corn	61.4	31.1	39.3	44.0	50.6	55.0
Sorghum	8.2	4.1	5.1	6.1	8.1	6.5
Rice	3.0	2.4	2.5	2.2	3.1	2.5
Oilseeds & products	35.6	27.6	29.7	29.7	21.1	22.4
Soybeans & products	32.2	26.2	28.6	28.0	19.5	20.9
Animals & products	2.5	2.6	2.6	2.8	3.3	3.3
Fruits, nuts, & vegetables	3.3	3.4	3.8	4.2	5.0	5.0
Cotton	2.0	.5	1.3	1.4	1.5	1.7
Other	3.9	1.4	1.7	1.3	1.8	.5
Total	163.5	109.9	129.3	148.4	147.8	145.5

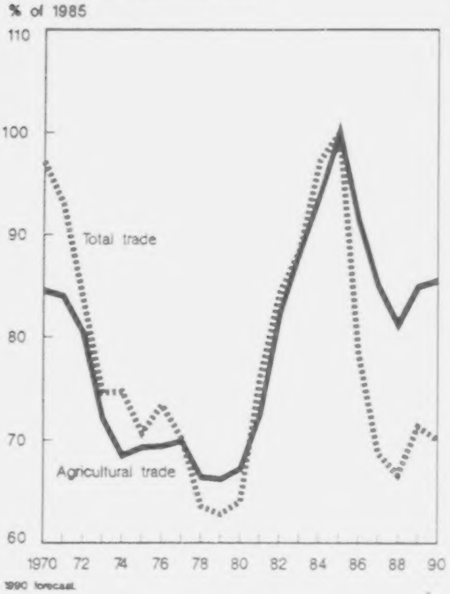
1/ Fiscal years, October-September. 2/ - Forecast. A revised forecast will be issued on February 27, 1990.

U.S. Agricultural Exports: Value by Destination 1/

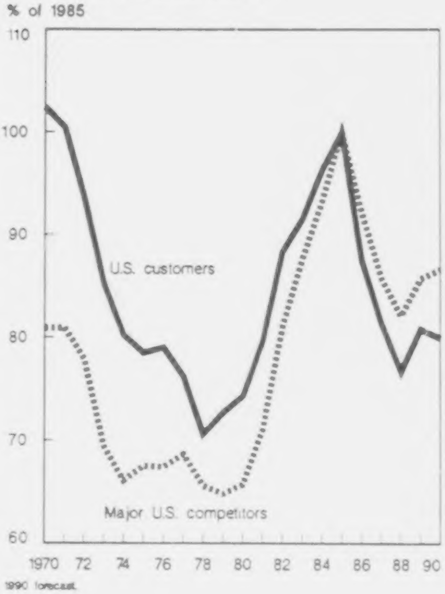
Item	1980	1986	1987	1988	1989	1990 2/
			Billion dollars			
W. Europe, Japan, & Canada	20.10	13.48	14.55	17.30	17.41	16.9
Africa & Latin America	7.77	5.73	5.55	6.67	7.72	7.3
Asia (excluding Japan & China)	6.51	5.27	6.20	8.06	9.04	8.7
USSR	1.52	1.11	.66	1.94	3.30	3.2
Eastern Europe	2.45	.45	.45	.56	.42	.5
China	1.96	.09	.24	.61	1.49	1.2
Other	.17	.18	.23	.24	.27	.2
Total	40.48	26.31	27.88	35.38	39.65	38.0

1/ Fiscal years, October-September. 2/ - Forecast. A revised forecast will be issued on February 27, 1990.

Dollar Exchange Rates
Total Trade vs. Agricultural Trade



Selected U.S. Agricultural Markets



Dollar Exchange Rates

Item	1980	1986	1987	1988	1989 P	1990 F
			1985 = 100			
Total trade 1/	64.0	78.3	68.7	66.6	71.3	70.0
Agricultural trade	67.2	91.4	85.0	81.2	84.9	85.5
U.S. agricultural markets						
Total	74.3	87.6	81.4	76.7	80.8	79.9
Soybeans	68.2	81.3	72.4	67.7	71.4	68.6
Wheat	77.8	93.7	93.4	88.2	96.7	99.0
Major agricultural competitors						
Total	65.7	92.2	85.8	82.1	85.7	86.6
Soybeans	44.8	87.3	86.7	79.4	86.9	91.3
Wheat	47.7	90.5	84.2	80.0	79.2	78.8

Data are expressed in indexed (1985 = 100) units per dollar. A higher value means the dollar has appreciated. Currencies adjeuated to factor out inflation. 1/ Value of U.S. dollar according to U.S. Federal Reserve System. P = Preliminary. F = Forecast.

CROPS OVERVIEW

* Federal programs idled about 60 million acres in 1989, well below the 1988 record of nearly 78 million. Although much less land was idled under annual programs, long-term Conservation Reserve Program enrollment grew to nearly 30 million acres. Acreage planted in 1989 increased 12 million acres above the reduced level of 1987. With smaller set-asides for wheat, cotton, and rice, planting of major crops is expected to increase in 1990.

* Nationally, 1989 weather returned to near the long-term temperature and precipitation averages, although there was great seasonal and regional variability.

* Corn yields in 1989 rose sharply above the 1988 drought level of 85 bushels per acre to 116 bushels, but were still slightly below trend. Soybean yields also responded to better weather conditions, returning to trend yields of more than 32 bushels per acre.

* The Great Plains 1989 hard red winter wheat crop was stressed early by unseasonable warmth and widespread dryness followed by a February cold snap. Late spring rains led to yield losses in the southern and western Plains.

* Soil moisture continued short in 1989 over much of the Great Plains and western Great Lakes, delaying planting of corn and soybeans until after a soaking mid-May rainfall. Well-spaced, timely summer rainfall allowed crop yields to rebound in spite of the persistence of limited soil moisture supplies.

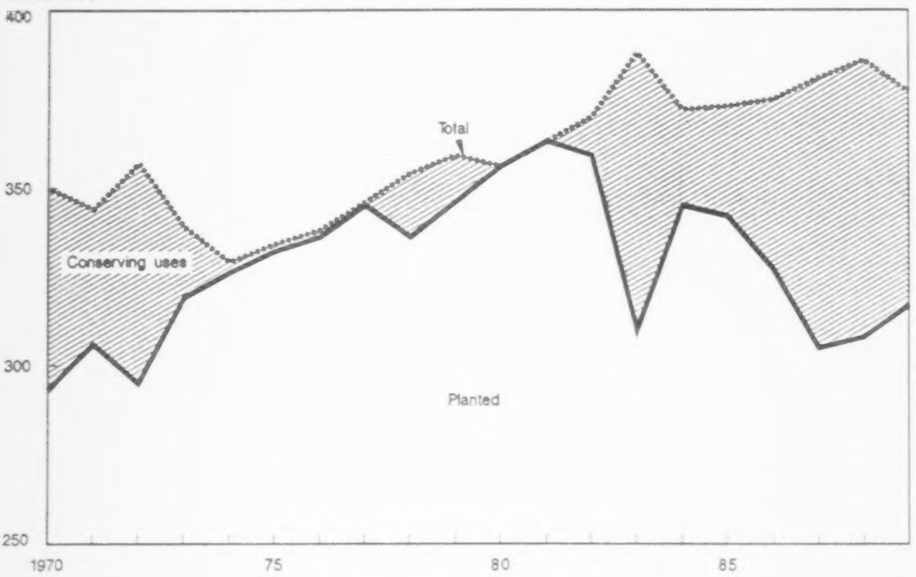
* Heavier than normal winter and early season rainfall from the Delta into the eastern Corn Belt and over much of the southeast delayed and reduced some 1989 spring planting of corn, soybeans and cotton. Spring wheat areas experienced short soil moisture, but the crop developed well until a July 4th heat wave caught the crop in the sensitive flowering stage, causing rapid loss in yield potential.

* The 1990 winter wheat crop is in good to fair condition except in parts of the Great Plains. This fall, dryness centered in Nebraska persisted and expanded throughout the Great Plains. Although moisture conditions have improved in the central and southern Great Plains, overall subsoil moisture is still limited over much of the winter wheat area, and timely spring rains are needed. Recent rains benefited Pacific Northwest and California crops.

* In mid-February, the outlook for 1990 spring crop planting was mixed. Dryness still is a concern over the western Corn Belt. While recent precipitation brought some improvement, timely spring and summer rains will be needed for planting and crop development. The Florida Peninsula has been dry since the destructive December freeze, forcing heavy irrigation of citrus and vegetables. The freeze also damaged Gulf Coast sugar and Texas citrus crops. Snow pack is below normal in much of the West and Southwest and reservoir levels are well below normal after three years of sub-normal precipitation. Soil moisture is adequate to surplus from the eastern Corn Belt into the Southeast and the Delta.

* U.S. crop production recovered in 1989/90 from the drought-reduced levels of the previous season. However, with total supplies below consumption, stocks of most crops will fall. Projected grain inventories of 62 million tons would be less than one-third the level of three years before. Cotton stocks are dropping to the lowest level since 1983/84. Soybean stocks, however, may about double from last season's low level.

U.S. Crop Acreage Planted and Placed in Conserving Uses

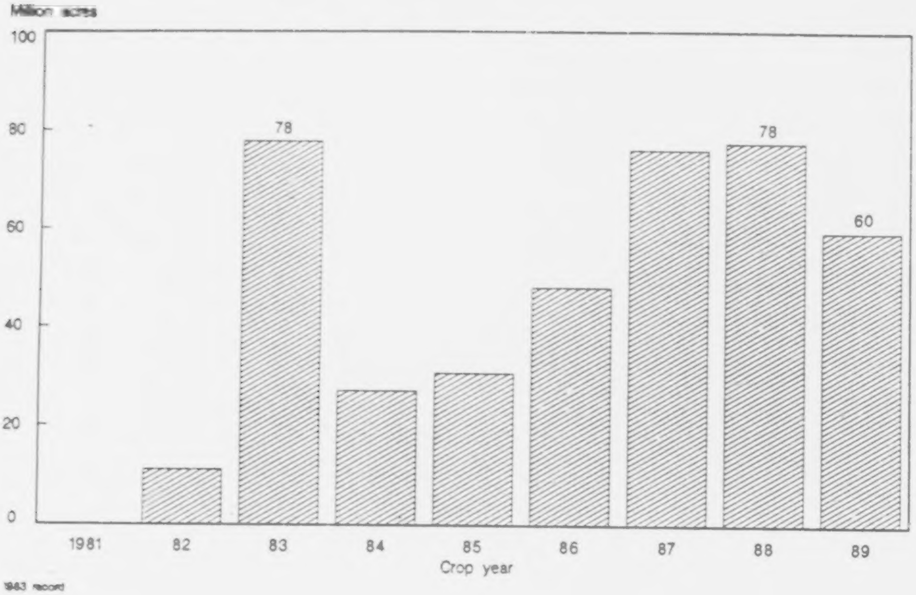


U.S. Crop Acreage Planted, Harvested, and Placed in Conserving Uses

Item	1984	1985	1986	1987	1988	1989
			Million acres			
Principal crops						
Planted 1/	345.1	342.2	327.3	304.9	308.2	317.2
Feed grains	122.2	128.1	119.8	106.8	101.8	106.2
Wheat	79.2	75.6	72.1	65.8	65.5	76.6
Soybeans	67.8	63.1	60.4	58.2	58.8	60.7
Cotton	11.1	10.7	10.0	10.4	12.5	10.6
Rice	2.8	2.5	2.4	2.4	2.9	2.7
Other crops		62.2	62.6	61.3	66.7	60.4
Harvested 1/	335.7	330.9	311.2	289.4	289.8	305.6
Conserving uses	27.0	30.7	48.2	76.2	77.6	59.5
ARP	17.7	21.9	36.3	44.6	40.2	18.5
PLD	5.7	8.8	6.4	8.9	4.1	
PIK	3.6					
0/92-50/92			3.5	7.0	8.8	11.4
Long term			2.0	15.7	24.5	29.6

1/ Includes corn, sorghum, oats, barley, wheat, rice, rye, soybeans, flaxseed, peanuts, sunflower, cotton, all hay, dry edible peas and beans, lentils, potatoes, sweetpotatoes, tobacco, sugarcane, and sugarbeets. Harvested acreages for winter wheat, rye, all hay, tobacco, and sugarcane are used in computing total planted acreage. Sources: NASS and ASCS, USDA.

Acreage Idled Under Federal Programs

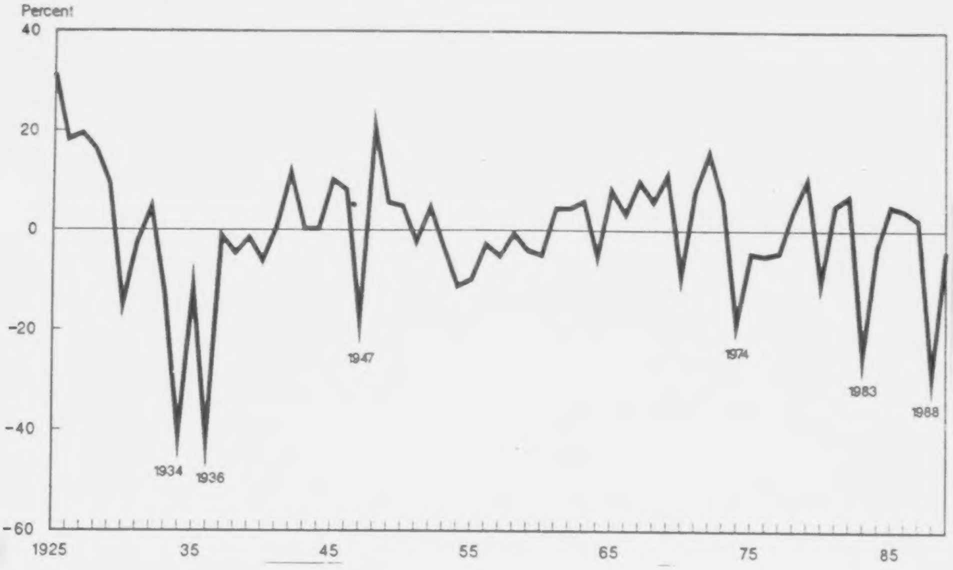


Acreage Idled Under Government Programs

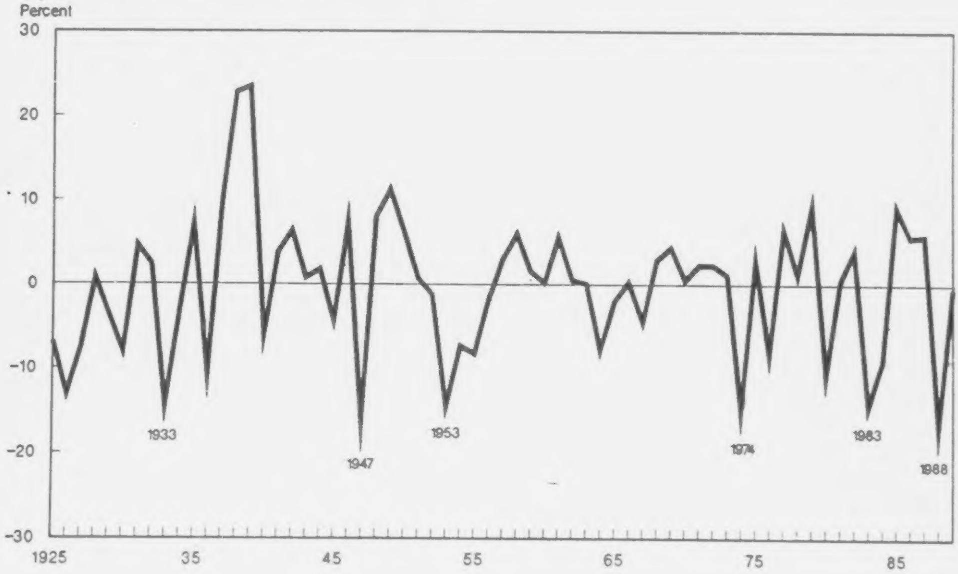
Item	1984	1985	1986	1987	1988	1989
			Million acres			
Annual programs						
Corn	3.9	5.4	13.7	21.8	17.6	6.3
Sorghum	.6	.9	2.4	3.6	2.8	1.1
Barley	.5	.7	1.9	2.7	2.2	.8
Oats	.1	.1	.4	.7	.1	.1
Wheat	18.6	18.8	19.7	20.2	19.2	6.2
Cotton	2.5	3.6	3.3	3.2	1.5	3.1
Rice	.8	1.2	1.3	1.3	.9	.9
0/92-50/92	---	---	3.5	7.0	8.8	11.4
Conservation Reserve	---	---	2.0	15.7	24.5	29.6
Total idled	27.0	30.7	48.2	76.2	77.6	59.5
Program crops harvested 1/	252.9	250.8	231.4	212.3	205.9	224.8
Idled plus harvested	279.9	281.5	279.6	288.5	283.5	284.3

1/ Feed grains, wheat, rice, cotton, and soybeans.

U.S. Average Corn Yield Deviation From Trend

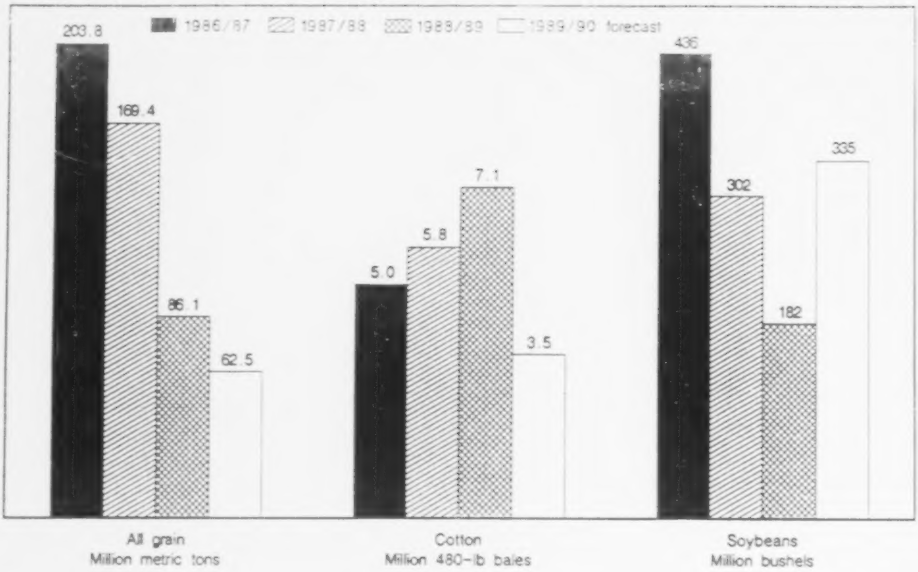


U.S. Average Soybean Yield Deviation From Trend



End-of-Season Inventories, 1986/87-1989/90

Production units



U.S. Carryover Stocks

Crop	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million bushels			
Wheat	989	1,905	1,821	1,261	702	443
Corn	1,392	4,040	4,882	4,259	1,930	1,480
			Million cwt			
Rice	16.5	77.3	51.4	31.4	26.7	19.0
			Million tons			
Total Grains	72	181	204	169	86	62
			Million bales			
Cotton	2.6	9.4	5.0	5.8	7.1	3.5
			Million bushels			
Soybeans	313	536	436	302	182	335

F - Forecast.

GRAINS

* World grain production is forecast up more than 7 percent in 1989/90, with U.S. output rising 38 percent and foreign up 3 percent. While U.S. production rebounded strongly from the 1988 drought, weather problems, especially in the Great Plains, limited the gains. Global grain consumption is forecast up almost 3 percent in 1989/90, leading to another drawdown in world stocks to their lowest level since 1980/81.

* World 1989/90 grain trade is forecast up 2 percent from last year and the largest since 1984/85. USSR imports are expected to drop slightly from last year, but remain well above the mid-1980's. Thus, this year's gain will come from regions such as North Africa and the Middle East and Eastern Europe. The United States will capture almost 50 percent of world trade in 1989/90, compared with only 35 percent in 1985/86.

* World wheat production is up 7 percent in 1989/90. Foreign output is 6 percent above last year because of larger crops in Canada, India, the USSR, China, the EC, and elsewhere. Global wheat use is forecast to rise 1 percent but only slightly exceed production. Thus, global stocks may drop 2 percent to their lowest level since 1981/82. Global wheat trade is forecast up slightly as larger imports by a number of countries offset lower imports by the USSR and China. The U.S. share, however, may drop to 36 percent from 39 percent in 1988/89.

* U.S. wheat output is up 12 percent in 1989/90. While U.S. wheat exports may drop 8 percent, total use is forecast 14 percent above production. Thus, U.S. ending stocks will be the smallest since 1974/75. Farm prices will be 10 to 15 cents per bushel above the $3.72 in 1988/89.

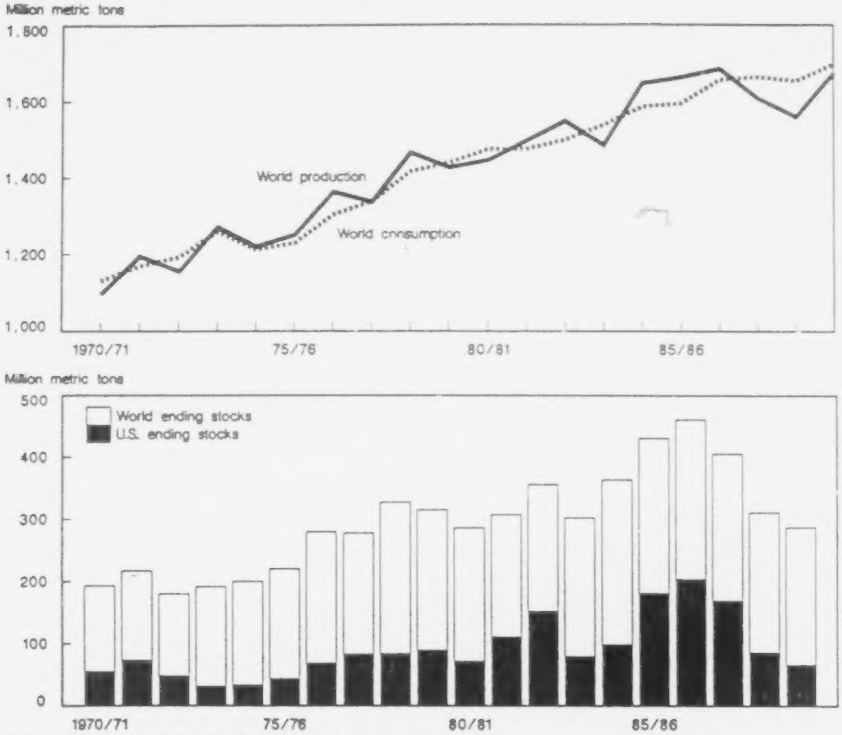
* World coarse grain production is forecast up 10 percent in 1989/90, but foreign output is down marginally because of smaller crops in the EC, South Africa, China, and a number of other countries. World use, however, may rise 4 percent and exceed output by 3 percent, leading to a 17-percent drop in stocks. World stocks will be the lowest since 1983/84. World trade is projected up 6 percent, led by gains in Eastern Europe, Korea, Mexico, and a number of other countries. U.S. exports may rise 9 percent and capture 67 percent of world trade, up from last year's 65 percent.

* U.S. 1989/90 feed grain production rose 48 percent, but supplies are only up 1 percent because of lower carryin stocks. With both domestic use and exports up, total use will exceed production and may lead to a 25-percent drop in stocks. Ending stocks, however, will equal 2.5 months of use. Corn prices are forecast at $2.20-$2.40, compared to $2.54 in 1988/89.

* Global 1989/90 rice production is up 3 percent, because of record foreign production. Global use is forecast up 3 percent, slightly below production. World trade is projected to drop 9 percent from 1988/89 but the U.S. share may hold at 19 percent.

* U.S. rice production is down 3 percent as lower area offset larger yields. Although exports are forecast down 4 percent, total use may be 8 percent above the smaller crop. Thus, ending stocks may drop 29 percent to their lowest level since 1980/81.

World Grain Production, Consumption, and Ending Stocks



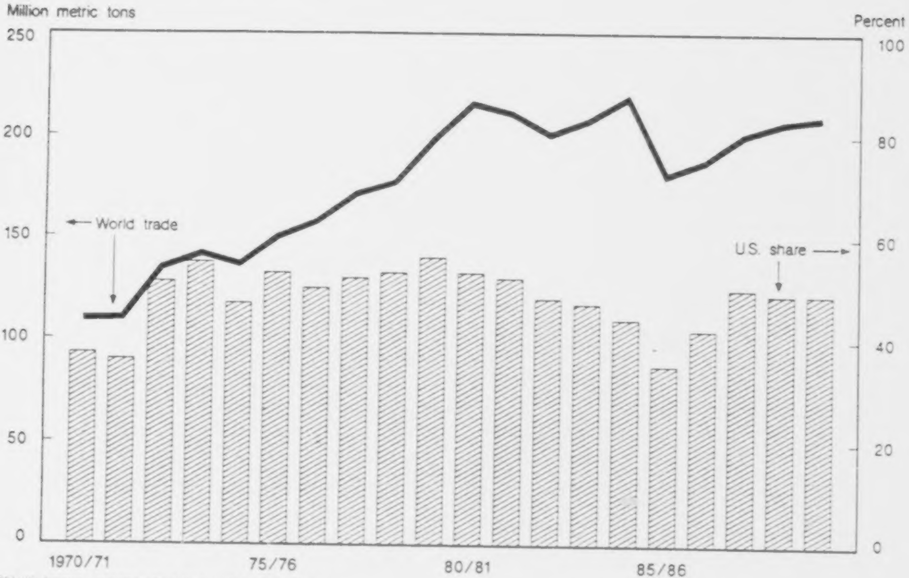
1989/90 forecast. Includes wheat, coarse grains, and milled rice.

World and U.S. Grain Production, Consumption, Stocks, and Stocks/Use Ratio 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million tons			
Production						
World	1,446	1,661	1,683	1,607	1,559	1,676
U.S.	268	345	313	278	204	282
Consumption						
World	1,475	1,594	1,653	1,663	1,654	1,699
U.S.	171	202	216	216	187	203
Ending stocks						
World	287	430	461	405	310	288
U.S.	72	181	204	169	86	62
			Percent			
Stocks/use ratio						
World	19.5	27.0	27.9	24.4	18.8	16.9
U.S.	25.1	68.7	69.8	53.9	29.8	20.3

1/ Includes wheat, coarse grains, and milled rice. F - Forecast.

Total World Grain Trade and U.S. Share



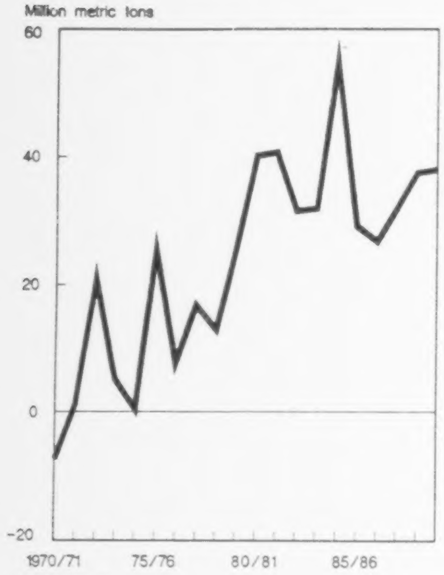
1989/90 forecast. Includes wheat flour, excludes intra-EC trade.

Total World Grain Supply and Use and U.S. Grain Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million tons			
World						
Production	1,446.2	1,661.4	1,682.8	1,607.1	1,559.0	1,675.8
Use	1,474.7	1,593.8	1,652.9	1,663.3	1,653.7	1,698.6
Ending stocks	286.6	431.4	461.3	405.1	310.4	287.7
Trade 2/						
World	215.6	180.7	187.7	200.4	206.5	211.6
U.S. exports	114.5	63.8	78.3	99.2	102.0	104.6
			Percent			
U.S. trade share	53	35	42	50	49	49

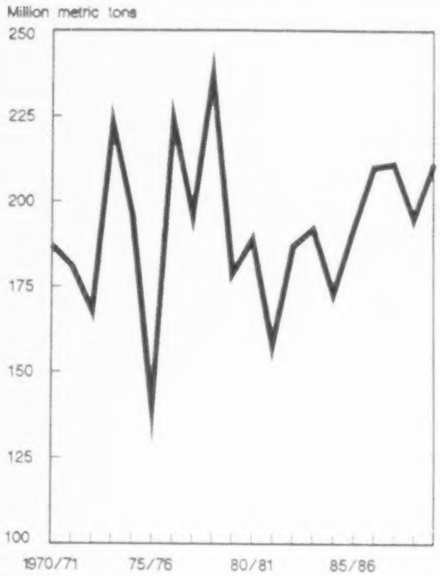
1/ Wheat is on a July/June trade year. The trade year for coarse grains is October/September. Rice is on a calendar year. 2/ Excludes intra-EC trade. F - Forecast.

USSR Net Grain Imports



1989/90 forecast.

USSR Total Grain Production



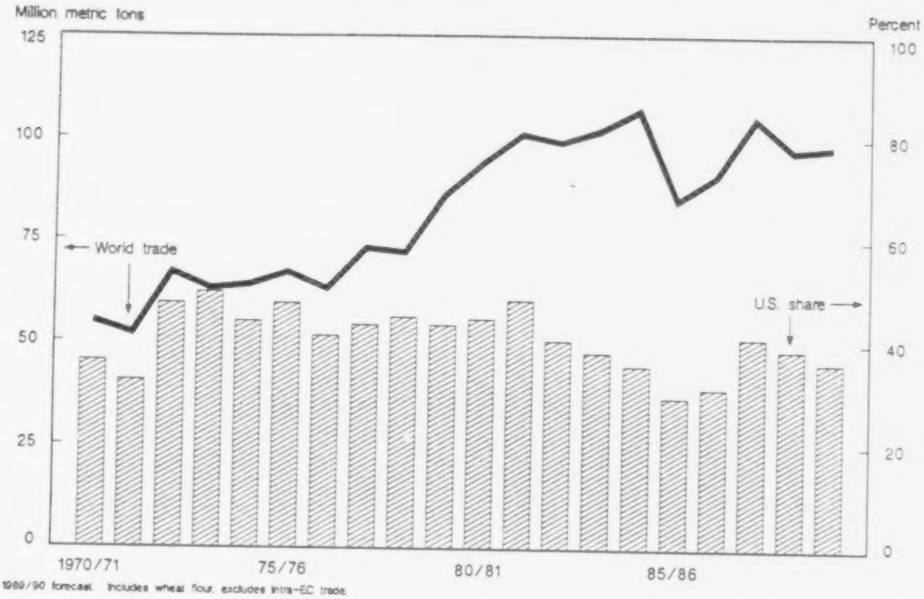
1989/90 forecast.

Soviet Grain Supply and Utilization 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90
			Million tons			
Production	189	192	210	211	195	211
Imports,						
total 2/	34.8	29.9	27.5	32.0	39.0	38.0
From U.S.	8.0	7.0	4.9	16.5	22.3	--
Exports 2/	0.5	0.5	0.5	0.5	0.5	1.0
Utilization,						
total	224	220	230	239	235	246
Feed	119	126	130	132	135	142
Stock change	-1	+1	+7	+4	-1	+2

1/ Includes wheat, coarse grains, rice, pulses, buckwheat, and miscellaneous grains. 2/ All trade is on a July/June basis. F - Forecast.

World Wheat Trade and U.S. Share



1989/90 forecast. Includes wheat flour, excludes intra-EC trade.

World Wheat Supply and Use and U.S. Wheat Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million tons			
World						
Production	443.0	500.1	530.6	501.7	501.3	536.2
Use	450.9	496.2	522.5	531.0	530.5	538.0
Ending stocks	112.9	168.3	176.4	147.2	117.9	116.1
Trade 2/						
World	94.1	85.0	90.7	104.9	97.4	97.9
U.S. exports	41.9	25.0	28.4	43.4	37.8	35.5
				Percent		
U.S. trade share	45	29	31	41	39	36

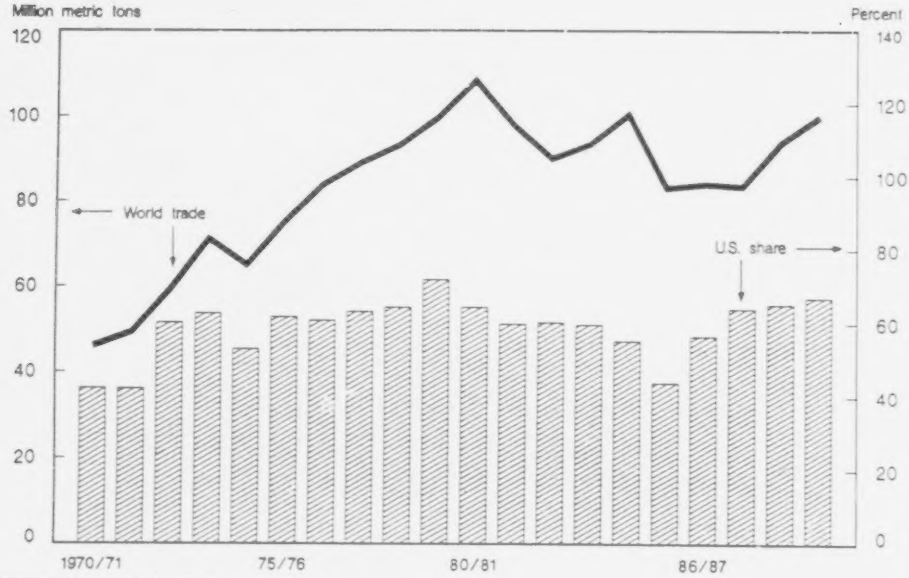
1/ Marketing year basis. 2/ July-June trade year. Excludes intra-EC trade. F = Forecast.

U.S. WHEAT SUPPLY AND DEMAND

	1987/88	1988/89	1989/90 F	CHANGE FROM YEAR AGO
	MILLION BUSHELS			PERCENT
BEGINNING STOCKS	1,821	1,261	702	-44
PRODUCTION	2,108	1,812	2,036	+12
TOTAL SUPPLY	3,945	3,096	2,758	-11
FOOD USE	721	735	750	+2
SEED	85	103	100	-3
FEED & RES.	280	137	165	+20
DOMESTIC USE	1,086	975	1,015	+4
EXPORTS	1,598	1,419	1,300	-8
TOTAL USE	2,684	2,394	2,315	-3
ENDING STOCKS	1,261	702	443	-37
	PERCENT			
STOCKS/USE RATIO	47	29	19	-34
	DOLLARS PER BUSHEL			
AVG. MARKET PRICE	2.57	3.72	3.80-3.90	+2 to +5
LOAN RATE	2.28	2.21	2.06	-7

F = Forecast.

World Feed Grain Trade and U.S. Share



1989/90 forecast. Excludes intra-EC trade.

World Coarse Grain Supply and Use and U.S. Coarse Grain Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million tons			
World						
Production	732.3	842.7	833.7	792.1	728.3	800.0
Use	748.0	778.4	807.9	812.8	796.3	825.0
Ending stocks	125.8	208.2	234.0	213.3	145.4	120.4
Trade 2/						
World	108.3	83.2	84.1	83.7	94.1	100.0
U.S.	69.5	36.4	47.5	53.5	61.3	66.5
			Percent			
U.S. trade share	64	44	56	64	65	67

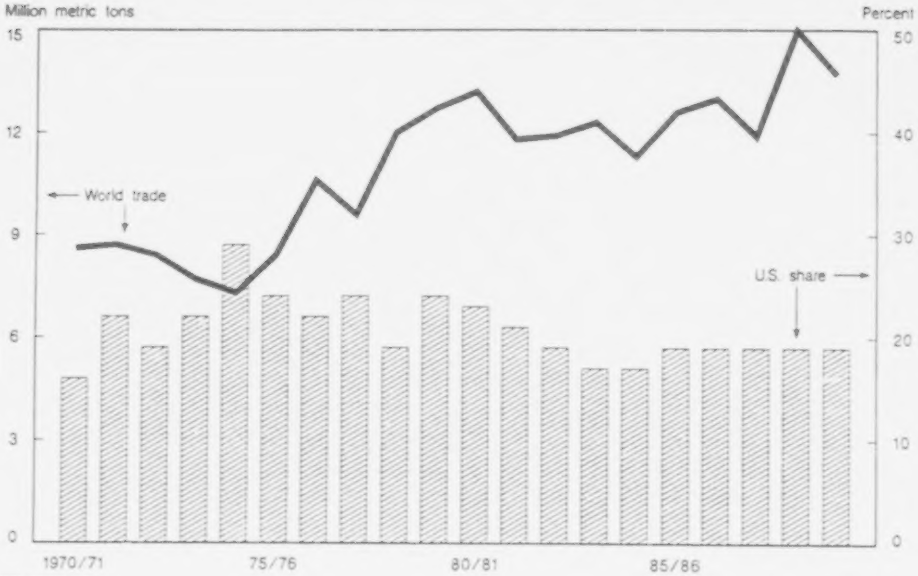
1/ Marketing year basis. 2/ October-September trade year. Excludes intra-EC trade. F = Forecast.

U.S. FEED GRAINS SUPPLY AND DEMAND

	1987/88	1988/89	1989/90 F	CHANGE FROM YEAR AGO
		MILLION TONS		PERCENT
BEGINNING STOCKS	152.1	133.6	65.9	-51
PRODUCTION	216.5	149.3	221.1	+48
TOTAL SUPPLY	369.6	284.2	288.1	+1
FOOD, SEED, & INDUSTRY	36.8	37.5	39.0	+4
FEED & RES.	146.9	119.4	133.3	+12
DOMESTIC USE	183.7	156.9	172.3	+10
EXPORTS	52.3	61.3	66.3	+8
TOTAL USE	236.0	218.3	238.6	+9
ENDING STOCKS	133.6	65.9	49.5	-25
		PERCENT		
STOCKS/USE RATIO	57	30	21	-31
		DOLLARS PER BUSHEL, CORN		
AVG. MARKET PRICE	1.94	2.54	2.20-2.40	-13 to -6
LOAN RATE	1.82	1.77	1.65	-7

F = Forecast.

World Rice Trade and U.S. Share



1989/90 forecast.

World Rice Supply and Use and U.S. Rice Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90
	Million tons, milled basis					
World						
Production	270.9	318.6	318.4	313.3	329.5	339.6
Use	275.8	319.2	322.5	319.5	326.9	335.7
Ending stocks	48.0	54.9	49.1	44.6	47.2	51.1
Trade						
World	13.2	12.6	12.9	11.9	15.0	13.7
U.S.	3.0	2.4	2.4	2.2	2.9	2.6
	Percent					
U.S. trade share	23	19	19	19	19	19

1/ Exports are calendar year indicated by second half of split year.
F - Forecast.

U.S. RICE SUPPLY AND DEMAND

	1987/88	1988/89	1989/90 F	CHANGE FROM YEAR AGO
		MILLION CWT		PERCENT
BEGINNING STOCKS	51.4	31.4	26.7	-15
PRODUCTION	129.6	159.9	154.5	-3
TOTAL SUPPLY	184.0	195.4	186.2	-5
DOMESTIC USE	80.4	83.2	85.2	+2
EXPORTS	72.2	85.6	82.0	-4
TOTAL USE	152.6	168.8	167.2	-1
ENDING STOCKS	31.4	26.7	19.0	-29
		PERCENT		
STOCKS/USE RATIO	21	16	11	-28
		DOLLARS PER CWT		
AVG. MARKET PRICE	7.27	6.83	7.00-8.00	+2 to +17
LOAN RATE	6.84	6.63	6.50	-2

F = Forecast.

OILSEEDS

* World oilseed output in 1989/90 is forecast at a record 214 million tons, up 6 percent from last season. Record production abroad was accompanied by a sharp recovery in the United States from the 1988 drought. World soybean production is up 13 percent to 107 million tons, due in large part to a 24-percent recovery in U.S. production. Ending stocks are forecast to recover following declines in the past 3 years from the record highs reached in 1985/86.

* World soybean and soybean meal exports are forecast to rise 10 percent in 1989/90 to about 61 million tons (soybean equivalent). Lower prices and larger U.S. and world supplies have helped this year's rebound in trade. Trade is forecast just below 1987/88's record level of 62 million tons.

* World soybean and soybean meal import demand in 1989/90 is characterized by a modest rebound in the EC, above-average gains in centrally planned economies and generally below-trend gains in many other countries, particularly developed market economies.

* A weaker U.S. dollar, lower U.S. meal prices and a small reduction in EC-produced oilseeds account for the better EC prospects. Longer term, the EC's consumption is expected to show little growth, while import prospects depend importantly on what happens to their heavily subsidized production.

* Growth in world import demand will depend largely on developing and centrally planned countries. Their soybean and soybean meal imports grew more than 10 percent a year in the 1970's, but slowed in the early 1980's as many countries experienced serious financial difficulties. Prospects in the 1990's have improved with the new political environment now taking shape.

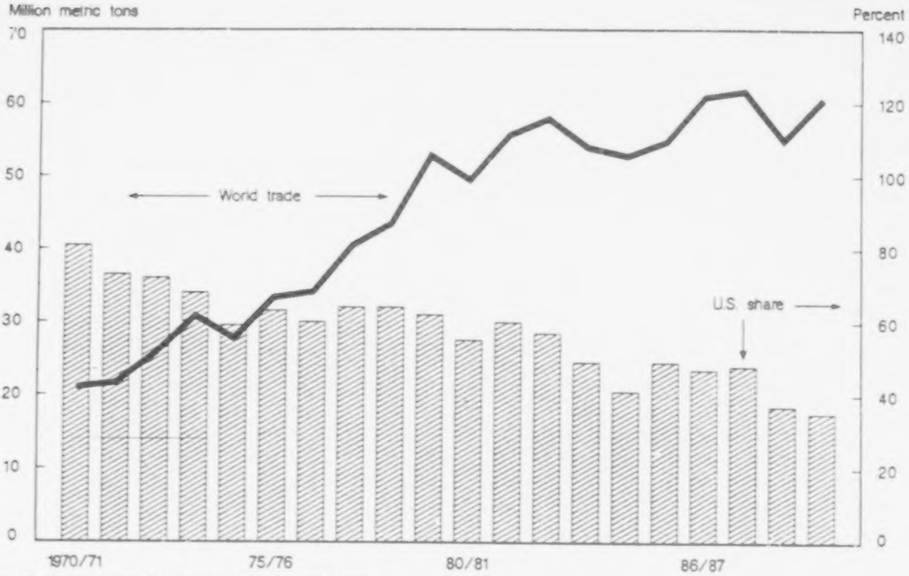
* Strong competition from South America has reduced the U.S. share of soybean and soybean meal trade from 56 percent in 1980/81 to 35 percent today. Increasing world prices for soybeans versus grain crops have encouraged South American producers to shift land to soybeans while U.S. acreage has declined because of heavy participation in crop programs.

* After rising 26 million acres in the 1970's, U.S. soybean acreage fell 11 million acres in the 1980's. Soybean acreage increased 1.8 million acres in 1989, in part because of a soybean planting flexibility option. For 1990/91, this option is expected to have only a small impact on area planted because of record South American supplies and prospects of lower prices.

* U.S. soybean exports are forecast at 590 million bushels in 1989/90, a modest rise from last year when exports fell to their lowest levels since 1974/75. Exports are expected to show a further rise next year but remain far below the record levels reached in the early 1980's. Soybean crush is also rebounding modestly this year due to strong growth in domestic meal feeding. U.S. soybean meal exports are lagging year earlier levels.

* With only a modest rise in crush and exports, U.S. ending stocks in 1989/90 are forecast at 335 million bushels, or about 19 percent of use. This compares to a more normal stocks-to-use ratio of 11 to 13 percent. With rising inventories, prices are forecast to range between $5.35 to $5.65 per bushel, down 26 percent from 1988/89.

World Soybean Trade and U.S. Share



1989/90 forecast. Includes soybeans and soybean equivalent of meal.

World Soybean Supply and Use and U.S. Soybean Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90 F
			Million tons			
World						
Production	81.0	97.1	98.1	103.8	95.0	107.2
Use	84.3	92.8	101.7	102.7	97.5	104.1
Ending stocks	11.5	23.2	19.7	19.7	17.7	20.2
Trade 2/						
World	49.5	55.2	61.2	61.7	55.0	60.6
U.S.	27.4	27.1	29.0	29.7	20.2	21.4
			Percent			
U.S. trade share 2/	55	49	47	48	37	35

1/ Local marketing year basis, except for Agrentina and Brazil, which are on an October-September year. 2/ Includes soybean meal on a soybean equivalent basis. F = Forecast.

U.S. SOYBEANS SUPPLY AND DEMAND

	1987/89	1988/89	1989/90 F	CHANGE FROM YEAR AGO
	MILLION BUSHELS			PERCENT
BEGINNING STOCKS	436	302	182	-40
PRODUCTION	1,938	1,549	1,927	+24
TOTAL SUPPLY	2,374	1,851	2,109	+14
CRUSHINGS	1,174	1,058	1,090	+3
SEED AND FEED	56	59	59	+0
DOMESTIC USE	1,270	1,117	1,125	+1
EXPORTS	802	527	590	+12
TOTAL USE	2,072	1,669	1,774	+6
ENDING STOCKS	302	182	335	+84
	PERCENT			
STOCKS/USE RATIO	15	11	19	+73
	DOLLARS PER BUSHEL			
AVG. MARKET PRICE	5.88	7.42	5.35-5.65	-27 to -23
LOAN RATE	4.77	4.77	4.53	-5

F = Forecast.

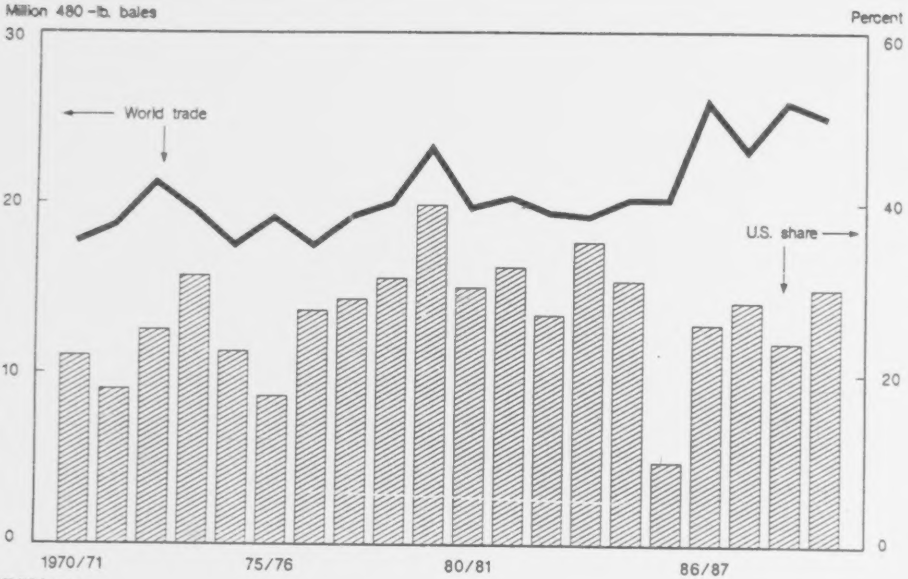
COTTON

* World cotton use is projected to exceed output during 1989/90, marking the fourth consecutive year of global production shortfalls. The exceptionally strong cotton demand of recent years is continuing this season, with mill consumption projected at a record 85.4 million bales, more than 6 million above production. By the end of this season, stocks are expected to be worked down one-fifth to 25 million bales, which would be only about one-half the record level of 1985/86. Stocks are the tightest in several years in a number of countries including China, the world's leading cotton producer and consumer.

* Global cotton trade is holding at a relatively high level of 25 million bales this season because of the strong cotton demand. Exports are off a projected 2 percent from 1988/89's near-record level, reflecting slightly smaller use and import demand from major importing countries. With tight supplies abroad, the U.S. export share is improving to 31 percent, nearly 7 percentage points above last season when U.S. prices were not as competitive.

* The 1989/90 U.S. cotton outlook is highlighted by strong domestic and export demand, a smaller supply, and sharply reduced stocks. Reduced acreage dropped the crop one-fifth to 12 million bales. At the same time, strong demand and competitive prices boosted mill use and exports by 5 percent and 25 percent, respectively. This season's ending stocks are placed at 3.5 million bales, about one-half the beginning level and below the 4-million-bale target in current legislation.

World Cotton Trade and U.S. Share



1989/90 forecast.

World Cotton Supply and Use and U.S. Cotton Exports 1/

Item	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90
	Million 480-pound bales					
World						
Production	65.0	80.5	70.7	81.1	84.3	79.3
Use	66.2	77.2	82.7	84.0	84.7	85.4
Ending stocks	20.3	47.2	34.9	32.2	30.9	24.7
Trade 2/						
World	19.7	20.2	25.9	23.2	25.7	25.1
U.S.	5.9	2.0	6.7	6.6	6.1	7.7
	Percent					
U.S. trade share	30	10	26	28	24	31

1/ Marketing year basis. 2/ August/July trade year. F - Forecast.

U.S. COTTON SUPPLY AND DEMAND

	1987/88	1988/89	1989/90 F	CHANGE FROM YEAR AGO
	MILLION 480-POUND BALES			
BEGINNING STOCKS	5.03	5.77	7.1	+23
PRODUCTION	14.76	15.41	12.2	-21
TOTAL SUPPLY	19.79	21.19	19.3	-9
MILL USE	7.62	7.79	8.2	+5
EXPORTS	6.58	6.15	7.7	+25
TOTAL USE	14.20	13.94	15.9	+14
ENDING STOCKS	5.77	7.09	3.5	-51
	PERCENT			
STOCKS/USE RATIO	41	51	22	-57
	CENTS PER POUND			
AVG. MARKET PRICE	64.30	55.50	67.30 1/	+21
LOAN RATE, UPLAND	52.25	51.80	50.00	-3

1/ August-December 1989 average. F = Forecast.

SUGAR

* World sugar production in 1989/90 is forecast at a record 105.7 million metric tons, raw value. Global consumption is also expected to be record high at 108.1 million metric tons, which will continue to trim stocks for the fifth consecutive year, to about 18.2 million metric tons.

* The global stocks-to-use ratio has dropped from 29 percent in 1984/85 to a forecast 17 percent this year. World sugar prices have risen from monthly lows of 3 cents per pound in mid-1985 to over 14 cents currently. Further price strength in first half 1990 hinges mainly on decisions by the largest sugar importers--the Soviet Union and Mainland China. Price strength in second half 1990 will depend largely on 1990/91 world output/use prospects.

* Domestic sugar production is estimated to decline to 6.6 million short tons, raw value, in calendar 1990, 1 percent below last year's level. Fifteen percent lower beet acreage in California, plus adverse weather in other large producing states, has lowered sucrose recovery rates and will hold U.S. beet sugar output to an estimated 3.6 million short tons, about 6 percent above last year's drought-reduced level. Unexpected severe mid-December freezes in Florida and Texas dropped the U.S. mainland cane sugar crop by nearly 200,000 short tons. U.S. cane sugar output, including Hawaii, is estimated at 3.0 million short tons, down about 8 percent from last year.

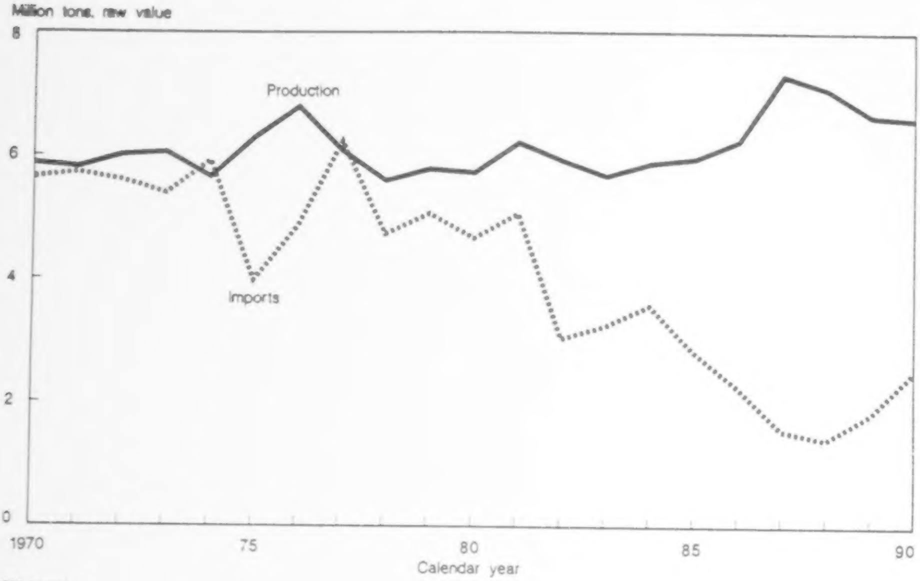
* U.S. sugar consumption in calendar 1990 is expected to increase modestly for the fourth straight year to 8.4 million short tons, raw value, following 10 years of decline as high fructose corn syrup (HFCS) replaced sugar in soft drinks.

* With lower U.S. production and larger consumption, the U.S. sugar quota was raised 325,000 metric tons, raw value, effective January 18, 1990, to 2,849,325 tons, for the 21-month January 1989/September 1990 period.

* U.S. sugar prices averaged 22.8 cents a pound in calendar year 1989, slightly above 1988. Wholesale prices of refined beet sugar, reflecting the shortfall in domestic sugar production, averaged 29.3 cents a pound, up 15 percent from 1988.

* Domestic HFCS prices fluctuated seasonally during 1989, and for HFCS-55 (the dominant HFCS) averaged 15 percent above 1988. U.S. consumption of HFCS increased less than 1 percent to an estimated 5.95 million tons, dry basis, in calendar 1989, compared with less than 2.1 million tons in 1980.

U.S. Sugar Production and Imports



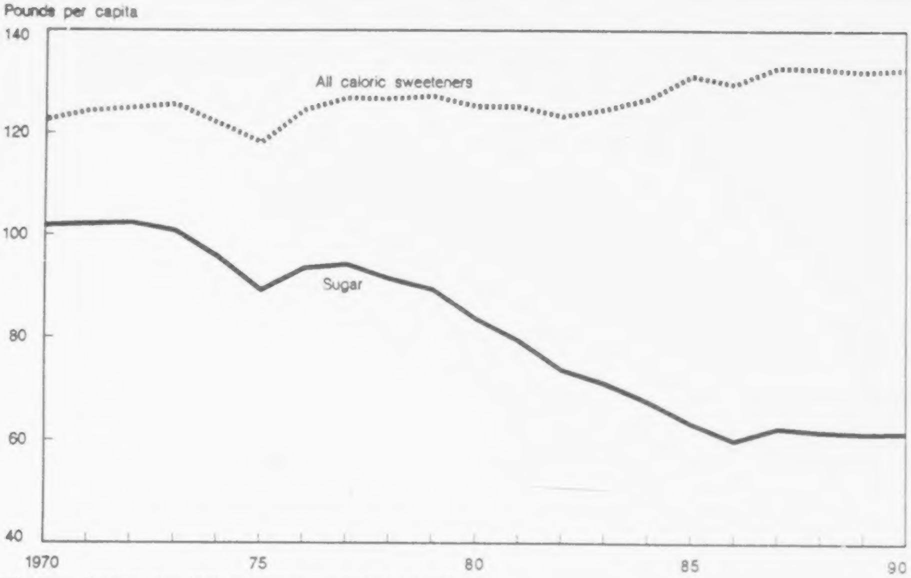
1990 forecast.

U.S. Sugar Supply and Use, Calendar Years

Description	1980	1986	1987	1988	1989	1990 F
		1,000 short tons, raw value				
Beginning stocks 1/	3,701	3,126	3,225	3,195	3,134	2,800
Total production	5,736	6,257	7,309	7,087	6,656	6,600
Total imports 2/	4,673	2,254	1,558	1,407	1,819	2,520
Total supply	14,110	11,637	12,092	11,689	11,609	11,920
Total exports	689	557	567	415	500	440
Total deliveries	10,189	7,786	8,167	8,188	8,250	8,350
Total use 3/	11,028	8,411	8,897	8,555	8,809	8,810
Ending stocks 1/	3,082	3,225	3,195	3,134	2,800	3,110

1/ Stocks in hands of U.S. primary distributors and CCC. 2/ Quotas were imposed May 1982. Quota sugar imports were 2.1, 1.7, 1.0, and 1.1 million tons for 1985-88, respectively and set at 1.24 million in 1989. 3/ Includes CCC disposal, polyhydric alcohol, refining loss, statistical discrepancy, as well as total deliveries and total exports. F = forecast. Sources: National Agricultural Statistics Service, USDA; Census; and beginning 1985 imports based on Customs data for quota sugar and company data for quota-exempt sugar.

U.S. Caloric Sweetener Consumption



1990 estimate. Caloric sweeteners include sugar, corn sweeteners, honey, and edible syrups.

Per Capita Consumption of Caloric Sweeteners, Calendar Years

Item	1980	1986	1987	1988	1989	1990 F
			Pounds			
Sugar use 1/	83.6	60.8	62.4	61.7	61.4	61.5
All caloric sweeteners 2/	123.9	129.6	132.4	132.7	132.1	132.5

1/ Includes sugar in blends. 2/ Comprises sugar, corn sweeteners, honey, and edible syrups. F - Forecast.

U.S. AND WORLD MEAT OVERVIEW

* World meat production is rising in 1990, with most of the gain coming from poultry. Pork production may be up a little while beef remains near the 1989 level. World beef production has shown little change during the last 3 years.

* World pork production increased in 1988 but held about steady in 1989. A small increase is likely this year. Increased production in the United States was a major contributor to the larger 1988 output. Small changes in U.S. production in 1989 and 1990 are helping to stabilize the world total. The upward trend in world poultry production continued in 1989 and another increase is likely this year.

* U.S. meat production was record large in 1989 and up nearly 2 percent from the year-earlier level. Production may increase more than 2 percent in 1990, with gains in poultry output accounting for most of the increase.

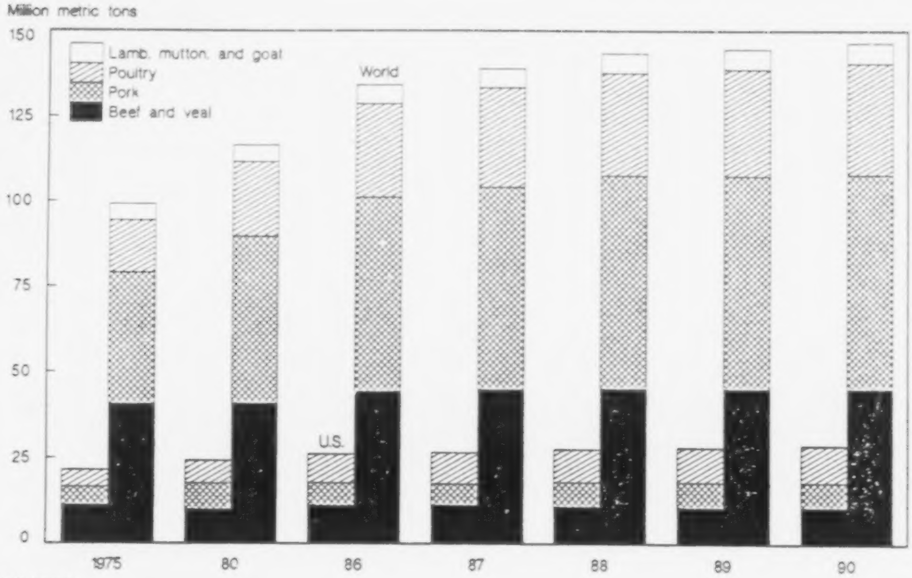
* U.S. per capita meat consumption rose over 5 pounds in 1988 to a record 219.7 pounds. In 1989, per capita consumption was little changed from the 1988 record. Beef and pork both declined but poultry increased. Per capita consumption is expected to increase in 1990 and surpass the previous record by 2 to 3 pounds. Beef and pork will once again decline while poultry increases.

* Beef imports declined in 1989 and totaled nearly 2.2 billion pounds. This was equal to nearly 9 percent of beef consumption. Imports are expected to decline again in 1990. Pork imports declined about 20 percent in 1989 and were equal to over 5 percent of pork consumption. Pork imports may increase in 1990 but stay below the 1988 level.

* U.S. beef exports increased more than 50 percent in 1989 and were a record. Continued strong growth in the Japanese market and larger exports to Mexico were major contributors to this increase. Beef exports are expected to continue to increase in 1990, with further increases to Japan likely. Pork exports were up more than a third in 1989, but a small decline is likely this year.

* Poultry meat exports rose over 20 percent in 1989 to a new record. Broilers, which account for most of the poultry meat exports, were up more than 25 percent. Continued strong growth in the Japanese market contributed to the increase. Further increases in broiler exports are likely this year as large sales have been made to the Soviet Union. Turkey exports may also recover in 1990. The United States does not import any significant quantity of poultry meat.

U.S. and World Meat Production



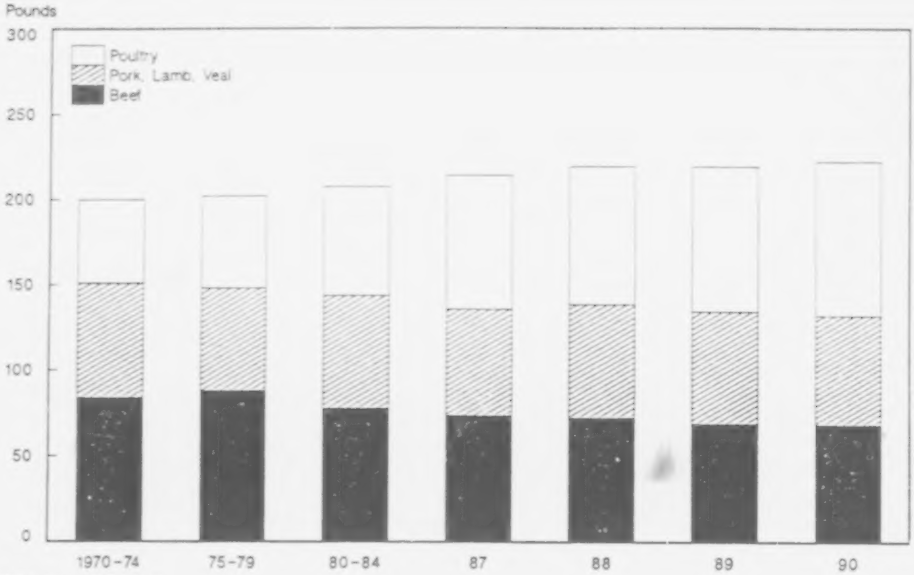
1990 forecast.

U.S. and World Meat Production

Item	1980	1986	1987	1988	1989	1990 F
	Million metric tons					
Beef and veal						
U.S.	10.0	11.3	10.9	10.9	10.7	10.8
World	40.8	44.3	45.0	45.3	45.3	45.4
Pork						
U.S.	7.5	6.4	6.5	7.1	7.2	7.1
World	48.8	56.9	59.1	62.2	62.3	62.7
Poultry						
U.S.	6.6	8.3	9.1	9.4	10.0	10.7
World	21.9	27.4	29.2	30.2	31.2	32.5
Lamb, mutton, and goat						
U.S.	0.1	0.2	0.1	0.2	0.2	0.2
World	4.9	5.5	5.6	5.7	5.9	6.0

F - Forecast.

U.S. Per Capita Meat Consumption



1989 preliminary, 1990 forecast.

Per Capita Meat Consumption (Retail Weight Basis)

Item	1980	1986	1987	1988	1989	1990 F
				Pounds		
Beef	76.5	78.5	73.5	72.3	69.0	68.8
Veal	1.5	1.9	1.5	1.4	1.2	1.2
Pork	68.3	59.1	59.6	63.5	63.2	61.2
Lamb and mutton	1.4	1.4	1.3	1.4	1.4	1.5
Total red meat	147.7	140.9	135.9	138.6	134.8	132.6
Broilers	47.0	56.3	60.8	62.5	66.0	69.8
Turkeys	10.5	13.3	15.2	16.0	16.9	17.5
Other chicken	3.1	2.5	2.5	2.6	2.3	2.6
Total poultry	60.6	72.7	78.5	81.1	85.2	89.9
Total meat	208.3	213.5	214.4	219.7	220.0	222.5

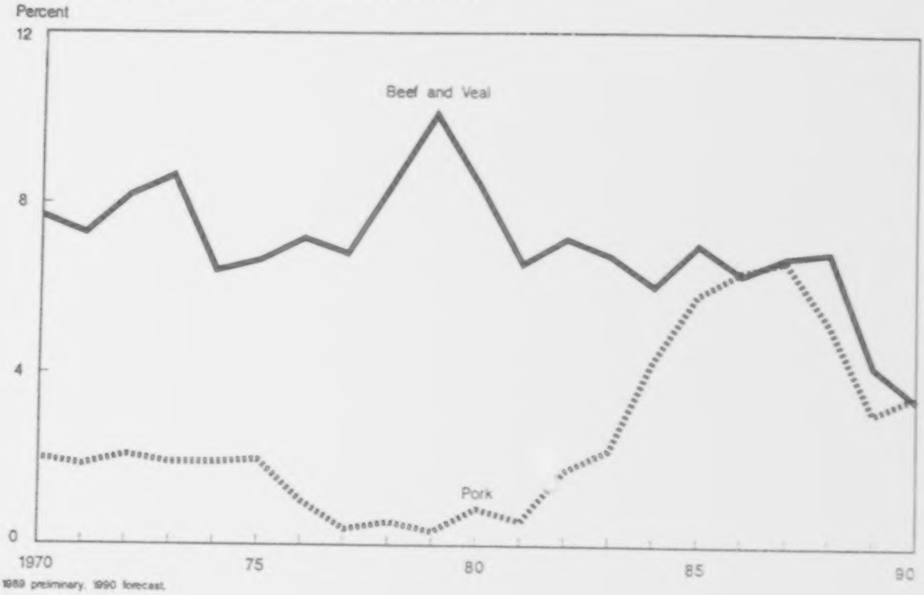
F - Forecast.

U.S. Meat Production, Imports, Exports, and Net Imports as Percent of Production

Item	1980	1986	1987	1988	1989 P	1990 F
	Million Pounds					
Beef						
Production	21,643	24,371	23,566	23,589	23,138	23,540
Imports	2,064	2,129	2,269	2,379	2,155	2,115
Exports	173	521	604	680	1,067	1,200
Pork						
Production	16,616	14,063	14,374	15,684	15,820	15,586
Imports	550	1,122	1,195	1,137	900	940
Exports	252	286	109	195	265	255
Poultry						
Production	14,541	18,215	20,065	20,786	22,247	23,632
Imports	0	0	0	0	0	0
Exports	695	609	800	842	1,035	1,108
Total meats						
Production	53,519	57,511	58,749	60,790	61,905	63,468
Imports	2,668	3,319	3,532	3,594	3,117	3,118
Exports	1,126	1,222	1,521	1,728	2,369	2,564
Net imports	1,542	2,097	2,011	1,866	748	554
	Percent					
Net imports as percent of production	2.9	3.6	3.4	3.1	1.2	0.9

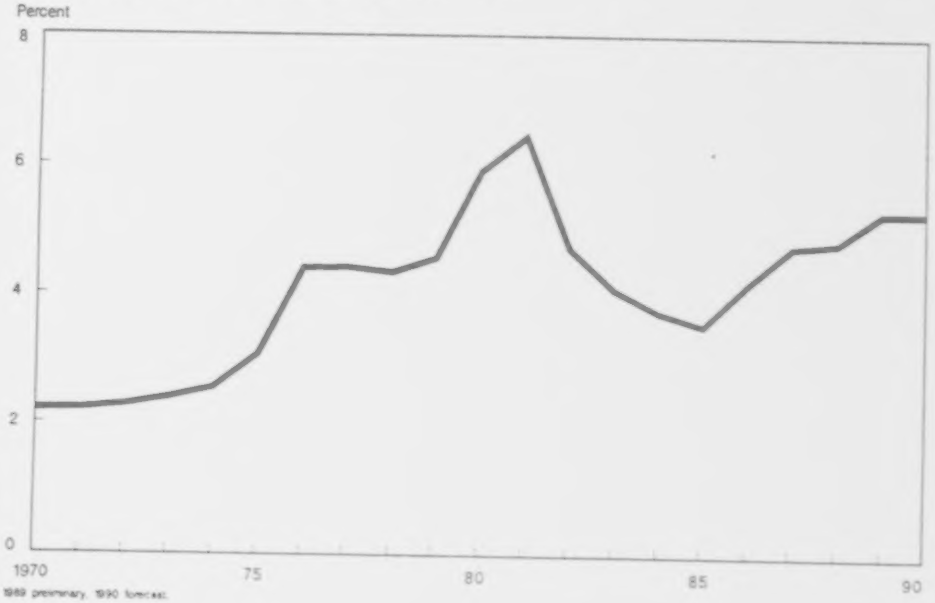
P - Preliminary. F - Forecast.

Net Meat Imports as Percent of U.S. Production



1989 preliminary, 1990 forecast.

Net Poultry Exports as Percent of U.S. Production



1989 preliminary, 1990 forecast.

DAIRY

* Milk production in 1989 was just slightly below the 1988 level. High feed prices that restricted concentrate feeding part of the year combined with low supplies and high prices for quality forage held down milk output per cow in 1989.

* Year-over-year declines in milk production during the second half of 1989, large commercial export commitments for nonfat dry milk, and a strong domestic demand for cheese combined to push fourth-quarter farm milk prices to $15.43 per cwt, more than $1 above the previous record. Milk prices in 1989 averaged about $1.25 above the year-earlier level and only slightly below the levels of 1981-83.

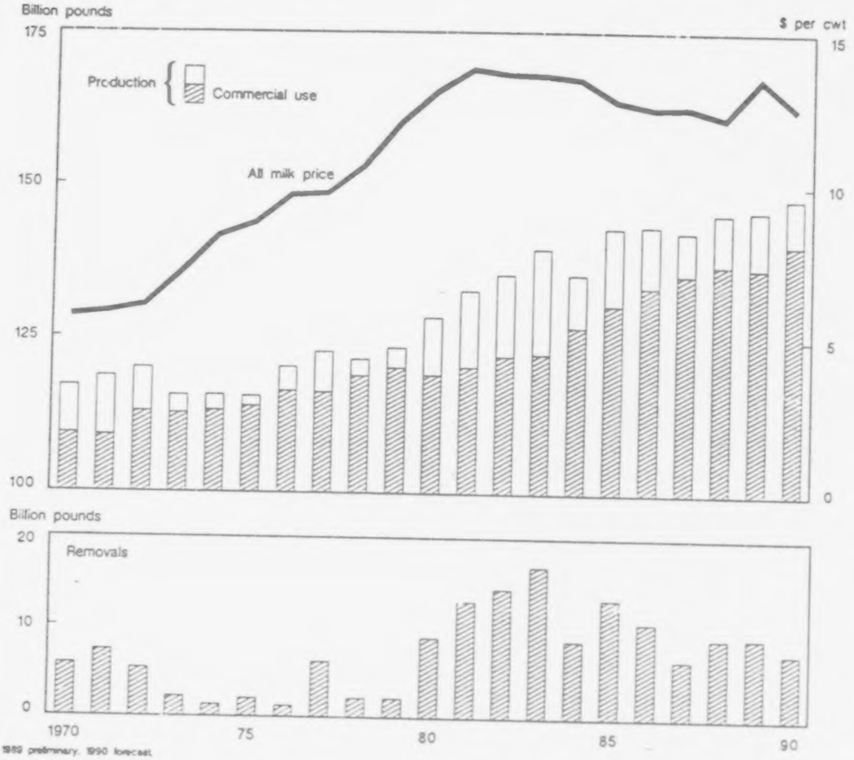
* Commercial use of dairy products was down slightly in 1989. Commercial use of cheese, nonfat dry milk, and fluid products was strong while sales of butter and most other manufactured products trailed a year earlier.

* Milk production in 1990 is expected to increase as declines in cow numbers moderate and milk output per cow recovers. A financial boost from recent milk prices, further cost reductions, and a fading of the 1989 feed-related damage to milk per cow will add impetus to 1990 milk production. For the year, production probably will increase 1 to 3 percent.

* Milk prices are expected to decline in 1990. Farm milk prices will drop sharply during the first half of the year as production increases seasonally and may average about $1 per cwt below last year for all of 1990.

* Commercial use of dairy products is expected to increase in 1990. Commercial use, enhanced by rebuilding of pipeline inventories, probably will expand on the strength of continued economic growth and the much lower prices of milk fat.

U.S. Milk Production, Use, Prices, and Removals



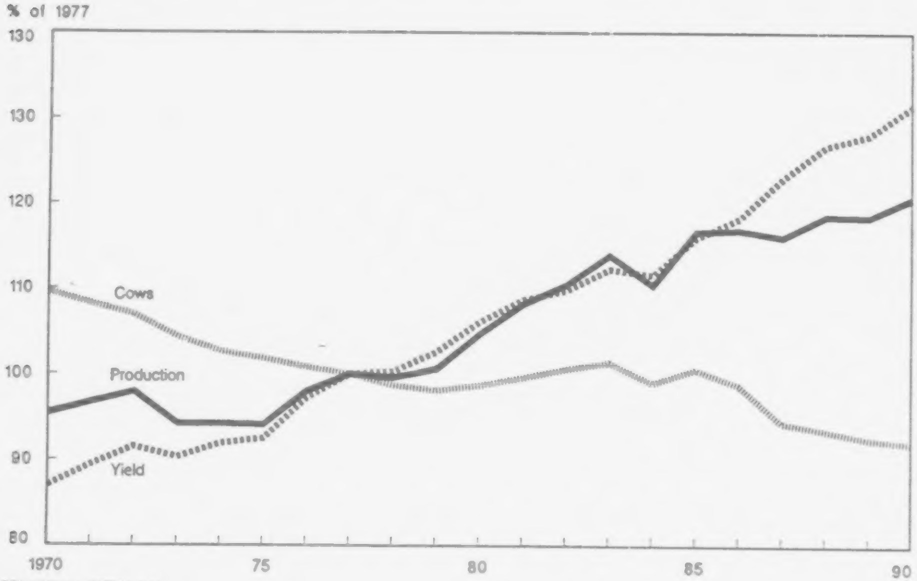
1989 preliminary, 1990 forecast.

U.S. Milk Production, Use, Prices, and Removals

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion pounds 1/			
Production	128.4	143.1	142.7	145.2	144.3	148.1
Commercial use	119.0	133.3	135.8	136.8	136.0	140.5
Net CCC removals	8.8	10.6	6.7	8.9	9.0	7.3
			Dollars per cwt			
All milk, price received by farmers	13.05	12.51	12.54	12.24	13.51	12.50

1/ Milk equivalent, fat basis. P - Preliminary. F - Forecast.

Milk Production, Number of Cows, and Milk per Cow



1989 preliminary, 1990 forecast.

U.S. Milk Production, Milk Per Cow, and Milk Cows

Item	1980	1986	1987	1988	1989 P	1990 F
			Billion pounds			
Production	128.4	143.1	142.7	145.2	144.3	148.1
			Pounds per cow			
Milk per cow	11,891	13,285	13,819	14,145	14,244	14,720
			Million head			
Cows 1/	10.8	10.8	10.3	10.3	10.1	10.1

1/ Average number on farms during year. P - Preliminary. F - Forecast.

LIVESTOCK

* Beef production declined about 2 percent in 1989, but a small increase is likely this year. Choice slaughter steers averaged about $72.50 per cwt in 1989, up $3 from the 1988 average. Prices are expected to further strengthen in 1990. Feeder cattle prices increased in 1989 as supplies tightened and feed costs declined. Feeder cattle prices in 1990 may average about the same as they did last year.

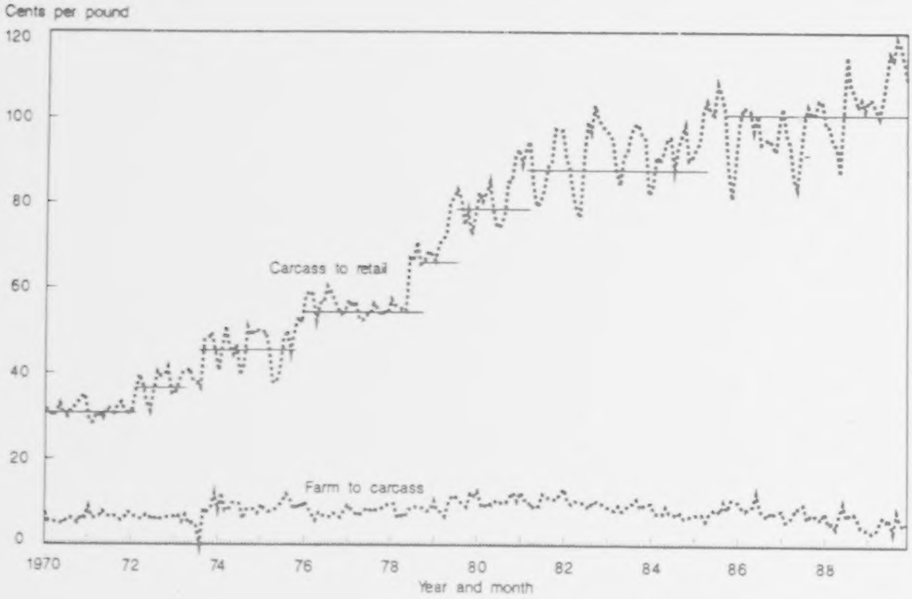
* Pork production increased less than 1 percent in 1989. The hogs and pigs inventory on December 1, 1989, was down 3 percent from a year earlier. Pork production is expected to decline slightly in 1990. Hog prices rose slightly in 1989 and further increases are expected this year. Favorable producer returns this year likely will lead to a rebuilding of the hog inventory.

* Broiler production increased over 7 percent in 1989 following a 4-percent rise in 1988. Even though production continued to increase, broiler prices in 1989 averaged above the year-earlier level, giving another year of favorable returns. Production is expected to increase around 7 percent this year, but prices likely will decline. Turkey production was down in the early months of 1989, but for the year increased about 6 percent. Further increases are expected this year with all of the increase in the first half of the year. Turkey prices were up in 1989, but lower prices are likely this year.

* Retail beef prices increased about 6 percent in 1989. The farm-retail price spread rose nearly 7 percent. The farm-carcass portion of the spread declined while the carcass-retail portion increased. Retail beef prices in 1990 are expected to increase slightly.

* Retail pork prices for 1989 were about unchanged from the 1988 level. The farm-retail price spread declined a little over 1 percent. The farm-wholesale portion declined while the wholesale-retail portion increased. Retail pork prices in 1990 could increase 6 to 8 percent.

BEEF: Price Spread

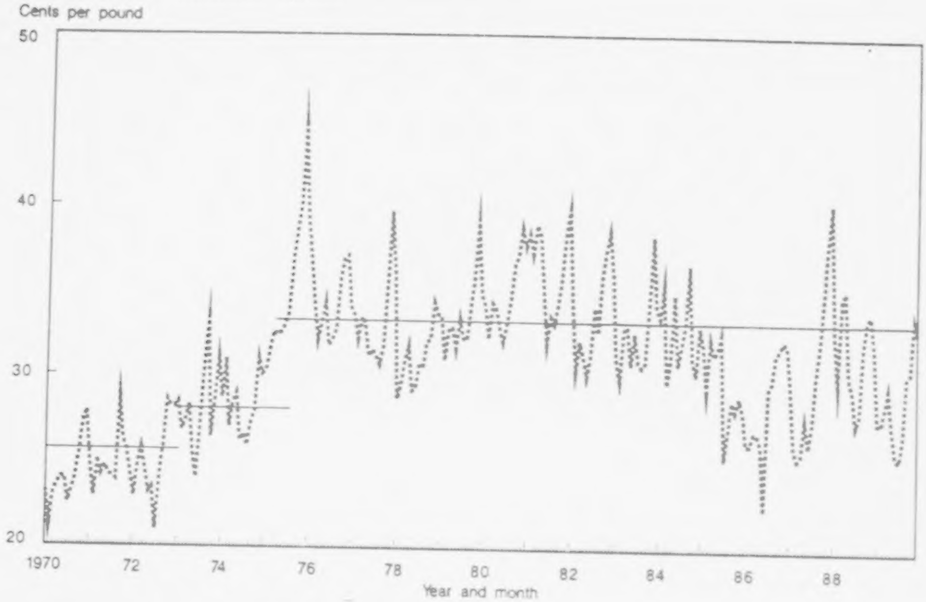


Retail Beef and Pork Price, Farm-Retail Spread, and Farmer's Share

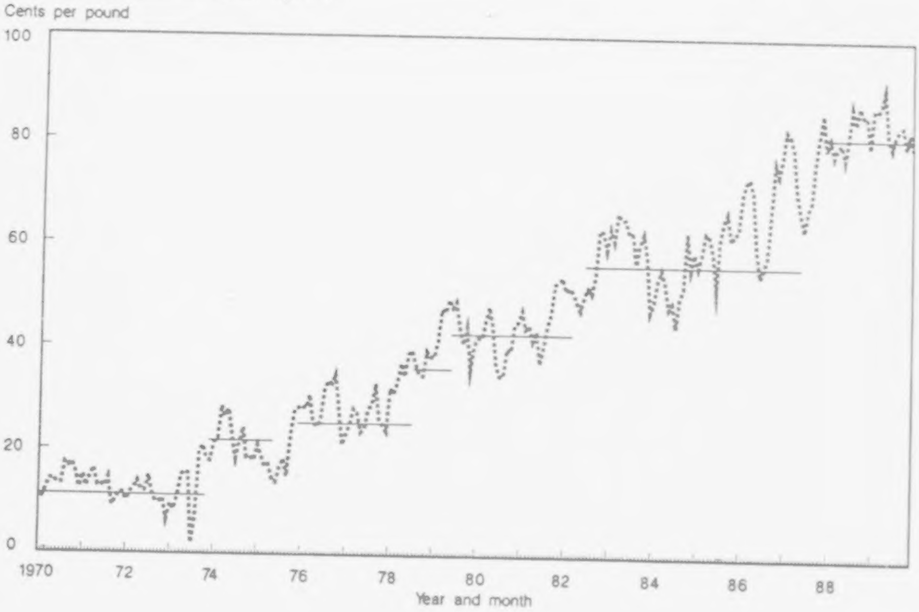
Item	1980	1986	1987	1988	1989	1990 F
			Cents per pound			
Beef 1/						
Retail price	237.6	230.7	242.5	254.7	269.9	272.0
Farm-retail spread	92.6	106.3	104.6	107.3	114.5	
Carcass-retail	82.2	97.6	97.2	100.8	109.3	
Farm-carcass	10.4	8.7	7.4	6.5	5.2	
Pork						
Retail price	139.4	178.4	188.4	183.4	182.9	196.0
Farm-retail spread	76.2	96.0	105.7	114.0	112.5	
Wholesale-retail	41.4	67.5	75.4	82.4	83.7	
Farm-wholesale	34.8	28.5	30.3	31.6	28.8	

1/ Choice, yield-grade 3 carcass. F = Forecast.

PORK: Farm to Wholesale Spread



PORK: Wholesale to Retail Spread



FOOD PRICES

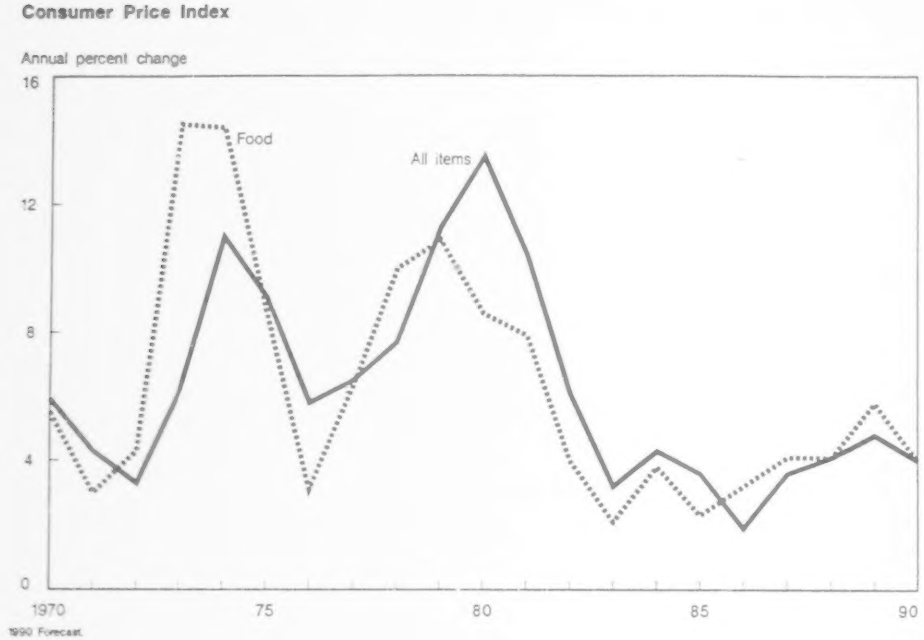
* The Consumer Price Index (CPI) for food is expected to rise 3 to 5 percent in 1990, a slower pace than the 5.8 percent rise in 1989.

* A modest increase in disposable personal income in 1990 and a continued low unemployment rate will have a positive affect on consumer demand. Consumer demand, however, is not likely to strengthen as much as it has in the previous 2 years.

* Increases in the costs of processing and distributing food in 1990 will be moderated by a lower rate of inflation in the general economy, holding down the non-farm component of food costs.

* Supplies of most farm foods will be ample in 1990, holding the farm value of food level with 1989. Poultry production will increase again in 1990 and total meat supplies will be record large. Another growing season will be needed, however, before stocks of potatoes and some processed vegetables fully recover from the 1988 drought.

* The Christmas freeze damaged fruit and vegetable crops in Florida and Texas. Smaller supplies of fresh winter vegetables pushed prices up in the first quarter but production will recover and prices will decline in the second quarter. Damage to citrus crops will result on higher prices for orange juice and fresh grapefruit. Large California orange supplies will hold fresh orange prices steady. The effect of the freeze will not change the 3 to 5 percent increase expected in the CPI for all food.

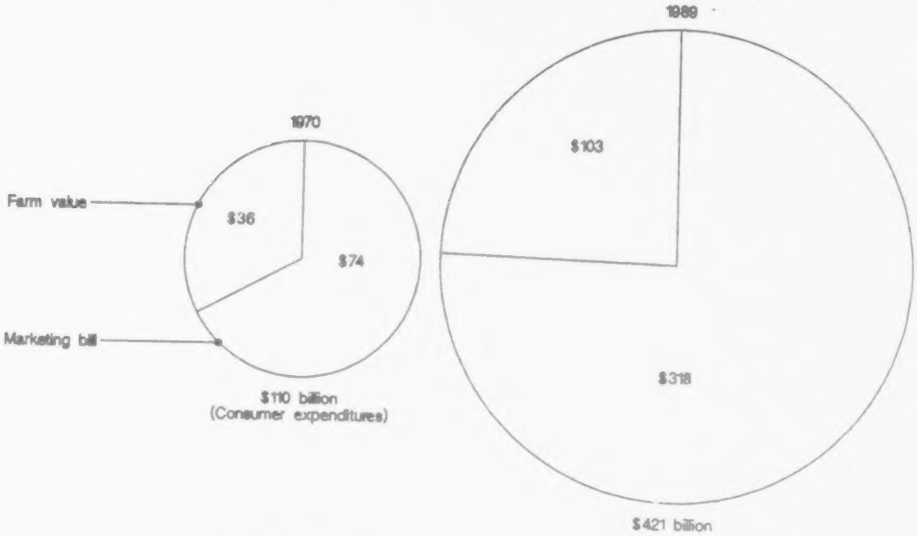


Percent Changes in the Consumer Price Index

Item	1980	1986	1987	1988	1989	1990 F
All items	13.5	1.9	3.6	4.1	4.8	4.0
Housing	15.7	2.9	3.0	3.8	3.8	NA
Medical care	10.9	7.5	6.6	6.5	7.7	NA
Transportation	17.8	-3.9	3.0	3.1	5.0	NA
Energy	34.7	-13.2	0.5	0.8	5.6	NA
Food 1/	8.6	3.2	4.1	4.1	5.8	3-5

1/ Excludes alcoholic beverages. F - Forecast. NA - Not available.

Marketing Bill, Farm Value, and Consumer Expenditures for Farm Foods



1989 preliminary. Data for domestically produced farm foods purchased by civilian consumers for consumption both at home and away from home.

Marketing Bill, Farm Value, and Consumer Expenditures for Farm Foods

Item	1980	1985	1986	1987	1988	1989 P
			Billion dollars			
Consumer expenditures	264.4	345.4	359.6	375.5	369.6	420.6
Farm value	81.7	86.4	88.3	90.4	96.8	103.0
Marketing Bill	182.7	259.0	270.8	285.1	299.8	317.6

P = Preliminary

THURSDAY, FEBRUARY 22, 1990.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

LEON SNEAD, DEPUTY INSPECTOR GENERAL

JAMES R. EBBITT, ASSISTANT INSPECTOR GENERAL FOR AUDIT

CRAIG L. BEAUCHAMP, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

CAROL A. JOHNSON, BUDGET OFFICER

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. We turn now to the Inspector General.

Mr. Leon Snead, Deputy Inspector General, Office of the Inspector General. We're glad to have you with us.

INTRODUCTION

Mr. SNEAD. Thank you, Mr. Chairman.

Mr. WHITTEN. We deal with a big operation here and many programs. Some years ago, we changed the title of this subcommittee to Rural Development, Agriculture, and Related Agencies.

The purpose wasn't to minimize agriculture, but to make the public and the Congress aware that there are a number of other programs in this bill. We have to have them in order to pass the agriculture bill at the present time.

It's getting to where there are so few folks on the farm, but this fact doesn't in the least decrease the important role agriculture plays in the national economy. It's our biggest industry, our largest employer of labor and, normally, our greatest dollar earner in world trade. We are having more and more trouble finding people in Congress that understand this.

Through the efforts of the Members of this subcommittee, there's a whole lot of activity in rural areas. As we have pointed out many times, about 84 percent of this country is made up of cities of 50,000 and less in absolutely rural areas.

I'm asked from time to time why it is that I'm so insistent on supporting the urban gardening program, and I've said, "How else would you get the votes in New York and Detroit and Chicago?"

So we try to bring these things together in an effort to have support. Now, in the process, there are a whole lot of things to look after.

For example, we try to look at the food stamp program to see that it's not mishandled. A few years ago, we reduced the food stamp program $2 billion.

We proved the case, just trying to eliminate waste. It went through the House, went through the Senate, the President signed it. Someone took the reduction to court and one judge issued a stay order injunction against applying the reduction and stopped it. Then the next President refused to appeal the decision at all.

We realize the difficult job you have, and we are not against the program, we're just trying to make the program work. Despite all our efforts, there's a lot of waste in many areas, and I don't know how we can handle it. Sometimes I think it's because the States are given the responsibility for determining eligibility. A divided responsibility creates some problems, and the volume creates some problems. About the time we think we're on top of it, we find out a fellow has got to just go in a local office and say, "I'm hungry," and he's taken care of.

Now, you can't be opposed to that, but it also keeps you from having accurate records. I mention this because we have had to deal with it over the years. We're glad to have your report, and all of it is a base not to get after the program, but to make it more effective.

We're glad to hear from you.

Mr. SNEAD. Thank you, Mr. Chairman, Mrs. Smith, Mr. Natcher.

I appreciate the opportunity to appear before you today to give you an overview of the OIG's activities and our views on some of the programs that we have reviewed in the last year.

During FY 1990, we will continue to focus our resources on programs that are most susceptible to fraud, waste, mismanagement and large dollar losses, and on those affecting public health and safety.

We are placing special emphasis on the FMHA Debt Restructuring Program, foreign export programs, the Food Stamp Program, and payment limits in the Production Adjustment Program.

In fiscal year 1989, OIG identified $54 million in recoveries, collections, fines, restitutions, and administrative penalties.

Additionally, management agreed to seek recovery of funds totalling $45 million. Another $2.1 billion was identified for which management made commitments to use funds more efficiently.

Our efforts also resulted in over 700 criminal indictments and 570 convictions.

WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM AND FOOD STAMP PROGRAM (FSP)

During the past year, we conducted audits in the WIC and Food Stamp programs to identify whether claims paid for State administrative costs were proper.

We questioned approximately $3.6 million in WIC claims and $12 million in food stamp claims. The Food and Nutrition Service has indicated that they will take action to collect these overpayments.

Also, we devoted about one-fourth of our investigative resources to investigations of fraud in the Food Stamp Program.

Our investigations resulted in over 500 indictments, over 400 convictions and over $5.1 million in monetary results.

Our investigative activities in this program focused on fraud by retailers who are authorized to accept food stamps and on food stamp trafficking. In these cases, we have noticed an increase in the use of food stamps to purchase illegal drugs and other contraband. The Department's 1990 farm bill proposal includes several initiatives to strengthen program integrity and increase penalties for program violations. We believe these proposals could have an effective impact on the program in combatting fraud.

PRODUCTION ADJUSTMENT PROGRAMS

In the farm program area, our audits have shown that, as large producers reach the $50,000 deficiency payment limit, they reorganize their operations to qualify for additional persons and therefore maximize program payments.

Also, during recent audit, we projected that $66 million in payments were made in error because of improper reorganizations.

We concluded that the 1987 changes to the law have only served to increase the number of reorganizations and increase ASCS' workload without reducing total program payments.

DEBT RESTRUCTURING PROGRAM

In FmHA, we're evaluating the Debt Restructuring Program, which is estimated to cost about $9 billion. We have reported a number of significant issues to FmHA for corrective actions in the early stages of the program.

In one of our major findings, we identified a loophole in the legislation that allows borrowers who convert security property to participate in the net recovery buy out option of the program.

The General Counsel has informed the Department that the law does not prohibit borrowers who illegally sell security property from participating in the net recovery buy out option. The Department has addressed this problem in its 1990 farm bill proposal.

EXPORT ENHANCEMENT PROGRAM

During the past year, we also completed a number of audits in the foreign agricultural programs. These audits indicated that more effective controls were needed in the Export Enhancement Program and the Export Credit Guarantee Program.

FEDERAL CROP INSURANCE PROGRAM

In the Federal Crop Insurance Program, our audits showed that 71 percent of the claims for 1988 crops contained errors that affected the claim amount. These errors resulted in both underpayments and overpayments, with net overpayments of $89 million.

This concludes my highlights, Mr. Chairman. I'll be glad to answer any questions that members may have.

[CLERK'S NOTE.—Biographical sketches appear on page 408. Mr. Snead's prepared statement appears on pages 409 through 429. The explanatory notes appear on pages 430 through 450.]

MARKET DEVELOPMENT

Mr. WHITTEN. I read your report and it confirms a whole lot of what we thought. I noticed that in regard to the Export Enhancement Program they're not supposed to undercut any other country's market.

We seem to be the only country in the world that doesn't want to sell our commodities in foreign markets. Agriculture, historically, has been dependent on about a third of its income from sales overseas.

If we're going to reduce our $3 trillion debt, we're going to have to produce more than we need and sell it abroad. The best way to sell it is by what the Commodity Credit Corporation is entitled to do, that is, by loans and purchases.

Section 32 made a difference and laid it on the counter. That's a little bit of history for the record. What has happened, and I've dealt with this for many, many years, is that the European Common Market for years and years complained about us doing what they do in the common market. I've spoken in Europe and various other places regarding this issue.

They say the price is a world price, then they tax their people to offset the high cost. We, in turn, support it up here and then sell down here. It's exactly what they do.

But they just raise sand, and we've got folks in our country that agree with them. But every country in the world takes what it has and doesn't need and sells it for what it will bring, except for the United States.

We're going to have to realize sooner or later, we're in a competitive world. Everybody is taking advantage of us, and as I mentioned earlier, I've served on the Defense Subcommittee and have travelled around the world, I've been in all these other places. The rest of them are out for themselves.

I think maybe I've mentioned this before. England won't let us send cattle over there on account of foot and mouth disease. They're the ones that have it, not us.

We better start looking after ourselves instead of apologizing for every victory ever won. We set these countries up in business. We're a wholesaler. We don't set other countries up in retail business, we set them up in competition with us. The question is what can we do about it.

IG STRATEGY FOR ENTITLEMENT PROGRAMS

Mr. Whitten. Mr. Snead, over the years the Committee has emphasized to the Inspector General that he should concentrate his efforts and resources in those areas where the payback to the government is the greatest. A quick glance at the USDA budget would show that almost 50 percent of the new budget authority requested for USDA activities goes to the Food and Nutrition Service for such activities as food stamps, child nutrition programs, WIC, and other feeding related programs. With over $24 billion requested for these programs during Fiscal Year 1991, could you provide us with some detail into the IG strategy in reviewing these programs for fraud, abuse and mismanagement?

Mr. Snead. Our strategy in this area is to focus both on the overall management role of the administering program agency, the Food and Nutrition Service, FNS, and the adequacy of controls and systems used to manage the programs. In planning for this fiscal year, we assessed each program's control mechanisms, and the audits and investigations previously conducted in these areas, in an effort to ensure that emphasis is being placed where needed. This process identified areas within each of the FNS programs where additional or continual work is necessary.

In the Food Stamp program, FSP, which is the largest of the entitlement programs, we expect to spend considerable resources to ensure that issuance systems are effective, efficient, and properly managed. We also plan to monitor and evaluate the use of electronic benefit transfer systems which are being tested on a pilot basis. In addition, we plan to continue our efforts to monitor States' implementation of and compliance with wage matching requirements, and monitoring the development and security of State ADP systems.

Our investigative strategy in FSP is focused on fraud by retailers authorized to accept food stamps and on food stamp trafficking, which is the unauthorized acquisition of food stamps in exchange for nonfood items by persons or firms not authorized to particiate in the program. Since the authorized retailer is the key to eventual redemption of illegally obtained food stamps, we will continue to place major emphasis in this area. We will also look at unauthorized firms, particularly those previously disqualified from the FSP for serious violations, which continue to accept food stamps. We have established a closer relationship with the FNS Compliance Branch, and have developed new joint initiatives for coordinating our resources.

In the Women, Infants and Children, WIC, program, we have reported on problems dealing with vendors. Previous audits have also disclosed that local projects areas do an effective job of certifying recipients. Thus, we have focused on the administrative cost aspects of the WIC program. We are also reviewing States' implementation of cost containment measures, specifically to determine whether rebates received from infant formula companies are being used to further the WIC program. FNS estimates that approximately $500 million for FY 1991 in savings will result and allow for program expansion. Our audits will determine if the savings will be used to expand the program.

1989 INDICTMENTS, CONVICTIONS, AND SUITS FILED

Mr. WHITTEN. For fiscal year 1989 we know that the IG investigations turned up 713 indictments, 573 convictions, and 48 suits were filed. Please provide for the Committee a table, by agency, for these activities.

[The information follows:]

FISCAL YEAR 1989 ACTIVITIES

Agency	Indictments	Convictions	Suits
AMS	9	13	4
APHIS	10	7	0
ARS	1	1	0
ASCS	51	25	1
FAS	0	3	0
FCIC	13	2	4
FGIS	2	1	0
FmHA	64	70	12
FNS	534	433	27

FISCAL YEAR 1989 ACTIVITIES—Continued

Agency	Indictments	Convictions	Suits
FS	12	8	0
FSIS	12	7	0
REA	4	2	0
Multiagencies	1	1	0
Totals	713	573	48

INVESTIGATIVE MONETARY RESULTS

Mr. WHITTEN. We see, Mr. Snead, from the explanatory notes that over $53 million in investigative monetary results occurred from coverage collections, restitution, fines, administrative penalties and cost avoidance. Would you provide us with a couple of the larger examples where direct monetary savings or collections resulted?

Mr. SNEAD. Some of the more significant portions of the $53 million returns were from investigations involving certain Foreign Agricultural Service, FAS licensed sugar refiners and export brokers, and from an investigation in the Dairy Termination Program.

Since 1984, OIG has conducted a number of investigations jointly with the U.S. Customs Service which involved sugar refiners and export brokers who were alleged to have diverted large quantities of nonquota sugar into the U.S. domestic market. The most recent recovery occurred in FY 1989 after an investigation of a New York corporation revealed that the corporation illegally diverted sugar into the U.S. domestic market and that the company submitted documents which falsely stated that the sugar was exported in support of certain drawback claims filed by the corporation. The corporation, while denying that it knowingly submitted any false documents, entered into a Settlement Agreement with the U.S. Department of Justice, the U.S. Customs Service, and the U.S. Department of Agriculture, in which it agreed to pay over $5.8 million.

In another case of conspiring to submit false claims and smuggling, the owner of several import and export companies was sentenced to ten years in prison, fined $250,000, and ordered to pay $2.5 million in restitution after he was convicted by a Federal jury in Louisiana.

These investigations, code named Operation Bittersweet, have thus far resulted in 51 indictments and 41 convictions in connection with the illegal diversion of approximately 400 million pounds of foreign sugar into the United States. To date, Operation Bittersweet has also resulted in over $26.7 million in recoveries, restitution, fines, and cost avoidances.

Another investigation of the Agricultural Stabilization and Conservation Service, ASCS, Dairy Termination program resulted in savings of over $1.7 million. This investigation involved a dairyman in Oregon who applied to participate in the program and reported that he would comply with the program regulations by exporting or slaughtering 1,224 head of dairy cattle. Our investigation disclosed that he sold 175 cows for purposes other than slaughter or export. As a result, ASCS determined that the dairyman had violated the terms of the contract, ruled that he was not eligible to receive program benefits, and withheld the entire payment of $1,734,906.

MANAGEMENT'S COMMITMENT TO PUT FUNDS TO BETTER USE

Mr. WHITTEN. In fiscal year 1988 the IG's report indicated that $27 million in monetary value was claimed for management's commitment to put funds to better use. For fiscal year 1989 that number jumped to over $2,147,000,000. Can you explain for us what caused this significant increase and how the Department intends to put funds to a better use?

Mr. SNEAD. About one-half of this $2.1 billion is related to findings in our review of the evaluation of security and repayment of the Agricultural Stabilization and Conservation Service, ASCS, commodity loans. Using statistical sampling techniques we projected that loan collateral valued at $975.7 million was missing or in danger of going out of condition nationwide. This estimate was based on our on-site inspections of the loan collateral in the five States in our review which disclosed that ASCS had not implemented procedures to assure required spot checks were performed, collateral shortages were handled properly, or loans not redeemed after the loan maturity date were serviced adequately. ASCS agreed to make improvements to county office loan compliance activities to detect and service loans which were not adequately secured because collateral was either missing or had deteriorated, thereby avoiding future losses.

The remainder of these findings comes from a combination of audit reviews involving several agencies. For example, during Fiscal Year 1989 we received management's commitment to put funds to better use on several audits that were nationwide in scope. Our audit of the Farmers Home Administration, FmHA, Farmer program loans indicated that internal controls did not identify problems in management of these loans and accounting for security property under them. Using statistical sampling techniques, we projected that loans valued at $127.9 million were unsecured due to unauthorized disposition of equipment and livestock. FmHA agreed to stengthen compliance reviews to ensure that Farmer program loans were adequately secured to minimize future losses.

The Food Security Act of 1985 mandated the shifting of Farmer program loan funds from direct to guaranteed loans. Our audit estimated that loans totaling $198.6 million were made to borrowers whose need for FmHA guarantees was questionable. FmHA agreed to conduct a study to better define loan approval and borrower eligibility criteria so that guaranteed loan funds are used only for borrowers who cannot obtain credit elsewhere.

The Export Credit Guarantee program guarantees repayment of credit extended to foreign buyers of U.S. agricultural commodities. Our audit found that the Foreign Agricultural Service had guaranteed loans valued at $169.2 million for export sales containing foreign agricultural commodities. The main cause for foreign commodities being included was exporters' misstatements, some knowingly made, that a portion of the commodities were of foreign origin. The major problem was with tobacco which contained from 25 to over

80 percent foreign tobacco which was then exported as U.S. Origin tobacco. The agency agreed to implement improvements in the management of the programs by clearly defining commodity eligibility, establishing a review system, and enforcing program regulations.

A pilot program contract, to collect and service housing loans, was awarded to one State for a period of seven months, with two one-year option renewal periods, and an anticipated cost of approximately $9.5 million. Estimated costs for a nationwide effort would exceed $118 million. As a result of the audit, it was found that the agency had awarded the contract without first performing a cost-benefit analysis to determine if the inhouse work should be contracted out. Although an agency analysis disclosed that the annual contract cost exceeded inhouse costs by about 210 percent, the agency was preparing a budget request to expand the contract to other States. The agency agreed with our recommendations and will not extend the contract beyond its scheduled termination date.

Our audit of a $698.8 million loan application questioned the applicant's plan to construct generating capacity to be sold to a non-Rural Electrification Administration, REA, Act beneficiary. REA agreed that the proposed construction costs of $179.3 million should not be financed with REA funds.

IG'S CONVICTION RATE

Mr. Whitten. Prior to 1989 the Inspector General's conviction rate against indictments has been close to 90 percent. Can you tell us how you have done in this past year?

Mr. Snead. For those 1,365 caes in which final legal and administrative action occurred in FY 1989, we had 553 indictments and 519 convictions, for a conviction rate of 94 percent.

AUDIT AND INVESTIGATIVE REPORTS, INDICTMENTS, CONVICTIONS, AND SUITS

Mr. Whitten. For the record, would you please provide a five-year table which shows us the number of audit reports, investigative reports, indictments, convictions and suits filed each year?

[The information follows:]

	Fiscal year—				
	1985	1986	1987	1988	1989
Audit reports	795	1,046	793	619	559
Investigative reports	1,223	1,312	1,233	1,451	1,398
Indictments	570	507	654	716	713
Convictions	626	402	551	646	573
Suits	21	22	8	23	48

BREAKDOWN OF IG'S RESOURCES

Mr. Whitten. Please provide us with a table showing a breakdown of the IG's resources and the percent of each that went towards investigations of each agency under USDA.

[The information follows:]

[Dollar amounts in thousands]

Agency	Total OIG		Investigations			
	Dollars	Staff years	Dollars	Percent of dollars	Staff years	Percent of staff years
AMS	1,100	18	760	69	13	72
APHIS	760	12	420	55	7	58
SCS	9,660	165	3,210	33	53	32
FAS	1,620	29	90	6	2	7
FCIC	4,420	75	1,520	34	25	33
FGIS	90	2	90	100	2	100
FmHA	11,650	199	4,650	40	77	39
FNS	11,880	199	7,410	62	121	61
FS	1,910	33	590	31	10	30
FSIS	1,540	25	1,200	80	20	80
REA	1,030	18	590	57	10	56
SCS	170	3	170	100	3	100
Science and Education	610	11	0	0	0	0
Multi-agency	2,150	38	0	0	0	0
OIG (internal)	260	4	260	100	4	100
Other	260	4	260	100	4	100
Scty & Sp Ops	350	6	350	100	6	100
Dept. Admin.	1,050	19	150	14	3	16
Totals	50,510	860	21,720	43	360	42

FCIC LOSS ADJUSTMENT PROCESS

Mr. WHITTEN. Last year, Mr. Snead, you testified that your office was conducting a followup audit to your June 1987 report on the Federal Crop Insurance Corporation. At the time of our hearing last year you were unable to report any conclusions from your followup audit. Could you please update us today and, in particular, we asked last year whether there was a trend concerning problems between policies sold by reinsured companies and policies sold through master marketers?

Mr. SNEAD. At the time of our last appearance before this subcommittee, we had just initiated an audit of the loss adjustment process in the crop insurance program for 1988. We used statistical sampling techniques to evaluate the extent of errors made by both reinsured companies and master marketers. We randomly selected a sample of 1988 corn, wheat and soybean claims, the three crops which historically have accounted for most of the FCIC business. In 1988 crops accounted for about 69 percent of the total contracts and about 71 percent of the overall claims. We audited 65 claims from policies sold by master marketers and adjusted by FCIC and 62 claims from policies sold and adjusted by reinsured companies.

Both FCIC, master marketers, and the reinsured companies made errors in determining production, units, shares, and acres because agents and adjusters did not follow published regulations, or in some cases, the regulations were permissive and not precise. While the types of errors were generally the same, reinsured companies made fewer errors than master marketers that affected the claim amount. However, the monetary impact of the errors was larger for reinsured claims than for FCIC claims. We estimated that 80 percent of the claims adjusted by FCIC had errors with an average monetary effect of $624 per claim, while 68 percent of the reinsured claims had errors averaging $1,446 per claim. Based on our audit results, we estimated that 71 percent of the claims had errors affecting the claim amount and that 13 percent of the indemnities were overpaid. We estimated that 67,661 claims were overpaid $90 million and 7,081 claims were underpaid $1.6 million.

RECOVERY OF FCIC OVERPAYMENTS

Mr. WHITTEN. We see in the explanatory notes your office indicates that of 106,000 claims to the Federal Crop Insurance Corporation, you estimate there were over $90 million in overpayments against these claims. Has FCIC done anything to recover the overpayments?

Mr. SNEAD. Yes, FCIC, has initiated action to recover overpayment of some claims. In accordance with the Federal Claims Collection Act, Claims Collection Standards and FCIC's internal procedures, FCIC has issued initial letters of determination to companies for the recovery of overpaid indemnities. However, we believe that FCIC has not been very aggressive in pursuing collection of claims. We have found cases where claims were not established that should have been established and some claims have been waived which we believe should have been collected. We recommended that the agency take action to recover those overpayments identified in our audit sample, 83 claims which overpaid $252,809. Although the $90 million is a valid representation of the total overpayment, since it is a projection, the agency can only attempt recovery on cases identified in our sample.

TIME SPENT REVIEWING FCIC

Mr. WHITTEN. Over the years the Office of the Inspector General has continually increased its effort in investigative work for crop insurance, and since 1983, the OIG has increased its total investigative time from 1.6 percent of the OIG's total effort to approximately seven percent in 1988. What percent of the OIG's time was expended on crop insurance work during 1989 and what do you anticipate it being during fiscal year 1990?

Mr. SNEAD. In FY 1989 we devoted 10.2 percent of our audit time and 6.3 percent of our investigative time to FCIC. In FY 1990 we anticipate that 4.2 percent of our audit time and five percent of our investigative time will be devoted to reviewing this agency.

ASCS COMMODITY LOAN PROGRAM

Mr. WHITTEN. We note in the explanatory notes based on results from a random sample in five States concerning internal control measures over commodity loan security, the IG's office projects that in five States alone, $972 million of security may be missing or in danger of going out of condition because of poor security implementation procedures. Is your sampling statistically representative in order to come up with this savings? Is this $972 million claimed as part of the Audit Monetary Results Accomplishments for fiscal year 1989? Has the ASCS done anything to correct the problem?

Mr. SNEAD. The projection of $972 million in security missing or in danger of going out of condition is a valid statistical estimate made at the 95 percent confidence level. The $972 million projection was included in the category of management commitments to use funds more efficiently in FY 1989. ASCS informed us they will strengthen procedures to ensure the spot checks of loan collateral are properly performed and documented and that followup actions are taken on noted collateral deficiencies.

MONITORING FOOD STAMP PROGRAM

Mr. WHITTEN. Please provide a five-year table, including fiscal year 1991, that shows how much of the OIG's budget is spent monitoring the food stamp program.

[The information follows:]

Fiscal year:	*Amount*
1987	$8,432,000
1988	6,170,000
1989	6,580,000
1990 [1]	7,120,000
1991 [1]	7,120,000

[1] Estimated.

PROPOSED LEGISLATIVE CHANGES TO FOOD STAMP PROGRAM

Mr. WHITTEN. We know, as a result of OIG investigations and audits over the past four or five years, that the IG has recommended several legislative changes to the Food Stamp program. A few of them have been enacted; many others have not. For the record, would you please list your proposed legislative changes that the IG made to FNS and those that FNS subsequently proposed to Congress and the status of each?

Mr. SNEAD. OIG has worked closely with FNS in the drafting of the Food Stamp Program legislative initiatives which were included in the Department's 1990 Farm Bill proposal. We specifically recommended to FNS that two initiatives be included.

It is our opinion that the increased use of electronic benefit transfer, EBT, of food stamps necessitates that the Food Stamp Act be amended to provide specific penalties for EBT fraud. We believe that it is important that the abuse of computerized benefits or online issuance systems be subject to the same penalties as other Food Stamp program violations. We also proposed a legislative initiative which would enable FNS to require that employer identification and social security numbers be provided by firms seeking authorization from FNS to accept food stamps. The Department's ability to safeguard the integrity of the program would be greatly enhanced by allowing the Department to cross reference identification numbers and, thereby, prevent retailers who were previously disqualified from participation in the program from being authorized at a new location. Both of these recommendations were incorporated in the FNS initiatives included in the Department's 1990 Farm Bill proposal.

Another serious problem in the FSP is inadequate verification of income which results in households receiving too high or too low a level of program benefits. To detect and prevent such errors we used computer matching techniques early on in our audits. Because of demonstrated benefits with computer matching, wage matching was made a requirement by law. In a nationwide audit of the implementation of wage matching, we recommended that FNS seek legislative authority to require State agencies, especially those with high dollar losses due to incorrect income reporting, to develop computer systems integrating online access to State unemployment compensation agencies. FNS awarded a contract to evaluate front-end matching systems. Based on the results of the study, FNS recently decided to promote States to do online matching rather than seek legislation to mandate it.

In another audit, we recommended that FNS obtain legislative authority to offset overpayments because of State agency error against FSP recipients' future benefits. By obtaining legislative authority to offset these overpayments, collections could increase by $14.4 million annually. FNS has in the past recommended, without success, this legislative authority.

FOOD STAMP PROGRAM ERROR LIABILITY RATES

Mr. WHITTEN. Over the years Congress has been concerned with the food stamp program's error liability rates. We know that in the past few years, partially as a result of your investigations, the error liability rates have dropped from almost ten percent down to about seven percent. Last year you stated that you were optimistic that improvements in the quality control and error rate liability systems would continue to bring States' error rates down. Are you able to point to any specifics in the past year that has helped States bring their liability rates to within that established under law?

Mr. SNEAD. The major cause of the errors is the failure of recipients to correctly report their income. The most significant factor in reducing the error rates has been the implementation of wage matching by States. The trend over the past ten years has shown a declining error rate in errors resulting in overissuances of benefits. We expect that with the continued emphasis on wage matching requirements, the error rate will continue to decline. Our strategy now is to evaluate State Error Rate Reduction Systems. We have an audit survey underway to develop a coordinated approach to determine additional ways to reduce the amount of overissuances erroneously made.

However, we should point out that the Hunger Prevention Act, HPA, of 1988 affected the FSP's QC system. Among the provisions contained in the Act are revisions in the definition of payment error, changes in error rate tolerances and changes in the method used to calculate the claims against States that exceed the error rate tolerances. The legislation makes these changes retroactive to FY 1986. However, the regulations have not yet been finalized.

Under the procedures, the State will be sanctioned if their error rate exceeds the National Performance Measure, NPM. The NPM is the lowest ever national average error rate plus one percent. Also, under these procedures both overpayment and underpayment errors are considered in determining the NPM, whereas, in the past, the error liability rate was based solely on the overpayment errors. FNS has developed estimates for FYs 1986, 1987 and 1988 of the new error liability rates for each of the States. Under these estimates, 14 States will exceed the tolerance level for FY 1986, ten States will exceed in FY 1987, and nine States will exceed in FY

1988. As a result of the changes in the HPA, the number of States exceeding the liability rate will decrease from a majority of States under the five percent rule to nine States. In our annual audit plan for FY 1990, we plan to evaluate these revised procedures.

STATES EXCEEDING THE FIVE PERCENT MARGIN RATE

Mr. **Whitten**. Please provide us with a list of States that will exceed the five percent margin rate established in law.

Mr **Snead**. Based on fiscal year 1988 data, the most current data available, I will provide a list of the States that will exceed the five percent margin rate.

[The information follows:]

Connecticut	6.15
Maine	6.78
Massachusetts	9.77
New Hampshire	5.65
New York	8.57
Rhode Island	5.78
Vermont	7.35
Delaware	6.29
District of Columbia	10.99
Maryland	6.45
New Jersey	5.66
Pennsylvania	6.61
Virginia	5.59
Virgin Islands	5.77
West Virginia	8.81
Alabama	8.04
Florida	6.08
Georgia	8.63
Mississippi	6.69
North Caroinia	6.42
South Carolina	10.06
Tennessee	7.95
Illinois	8.37
Indiana	9.16
Michigan	6.48
Minnesota	6.49
Ohio	9.48
Wisconsin	7.78
Louisiana	6.86
New Mexixo	7.38
Oklahoma	10.11
Texas	7.89
Colorado	6.63
Iowa	8.41
Nebraska	6.58
Utah	6.54
Alaska	7.61
Arizona	7.34
California	7.39
Idaho	8.44
Oregon	8.24
Washington	8.14

As previously stated the Hunger Prevention Act of 1988 discontinued the five percent error rate target. Based on the Act, the National Performance Measure has been determined to be 10.79 percent. FNS estimates that nine States will exceed the national performance measure, for fiscal year 1988:

[The information follows:]

Massachusetts	11.30
New York	12.89
District of Columbia	14.57
South Carolina	13.69
Tennessee	12.12
Indiana	11.48
Wisconsin	11.15
Oklahoma	12.29
California	11.75

FISCAL YEAR 1991 STAFF-YEAR INCREASE

Mr. WHITTEN. Your budget request for fiscal year 1991 shows an increase in staff years of ten. Would these be used in the area of audit or investigations?

Mr. SNEAD. The fiscal year 1991 increase in staffyears will be used in audit and investigations. Eight staffyears will be assigned to auditing new and existing international program and financial management areas. For investigations, two staffyears will be assigned in the area of public health and safety.

GEOGRAPHIC BREAKDOWN OF STAFFYEARS

Mr. WHITTEN. Page 4-9 of your explantory notes shows the geographic breakdown of obligations in staffyears; a comparison with the same table for last year shows a significant increase in staffyears for the State of Maryland along with a decrease for the State of New York. Would you please explain these changes from last year's submittal?

Mr. SNEAD. One reason for the change in staffyears in Maryland and New York is attributable to the restructuring of our New York audit office in fiscal year 1988 and the reassignment of positions from that office to a new office in New Jersey under the direction of the Northeast Audit Region headquartered in Maryland. The major reason for this restructuring was our inability to attract qualified staff because of the high cost of living in the New York City area.

The staffyear increase in Maryland is also due to the size of the area that the Northeast Audit Region serves: 13 States, the District of Columbia, and the two U.S. territories. Additional personnel were assigned to this region to effectively carry out the OIG mission.

FUNDING OF ADP UPGRADE

Mr. WHITTEN. As part of your fiscal year 1991 request, you have $900,000 for additional ADP activities. You point out that the current nationwide computer system will be at its six-year estimated system's life. What is the total cost for replacement of ADP equipment?

Mr. SNEAD. The total cost for upgrading our ADP equipment is $2,200,000. The fiscal year 1991 request for $900,000 is the first year of a three-year upgrade of our nationwide ADP system. We estimate that the costs for fiscal year 1992 and fiscal year 1993 will be approximately $650,000 in each year.

INSPECTOR GENERAL ACT AMENDMENTS

Mr. WHITTEN. Congress recently amended the Inspector General Act of 1978. Can you tell us the impact this will have on your operation?

Mr. SNEAD. I do not expect the Inspector General Act Amendments of 1988 to have a significant impact on our operations. The Amendments have made Agency management more accountable for ensuring that problems are corrected. I believe that agency management will be more closely examining the recommendations contained in our audit reports and more involved in the actions necessary to implement corrective actions. We will continue to follow up on the corrective action plans in future audits of the program or agency.

SPECIAL PAY RATES FOR ENTRY-LEVEL AUDITORS

Mr. WHITTEN. You have requested an additional $300,000 for funding of special pay rates for entry level auditors. These rates were established by the Office of Personnel Management. Please list for us the locations of special rate areas.

Mr. SNEAD. The locations with special pay rates are the New York City/Long Island area; certain counties in New Jersey; Chicago, IL; San Francisco, CA; and the Washington, DC Metropolitan Statistical Area, MSA, which includes Hyattsville, MD.

RECOMMENDATIONS FOR FSIS EXPORTED MEAT INSPECTION SYSTEM

Mr. WHITTEN. Last year the OIG audited the inspection systems for exported meat products in five countries that do the majority of total meat products exported into the United States. We know that you made several recommendations to FSIS. For the record, would you please list these recommendations and the FSIS response to each?

Mr. SNEAD. I'd be happy to provide that information for the record.

[The information follows:]

Recommendation 1: Take immediate and appropriate action to ensure that Country E complies with the FSIS requirement to test for chloramphenicol, and that Countries C and E test for species. Also, resolve the differences between U.S. and foreign countries' withdrawal periods for Dimetridazole and Carbadox.

FSIS Response: FSIS responded that Country E had begun testing for chloramphenicol. FSIS also responded that Country E had started testing for species and that Country C planned to begin testing by the end of 1989. FSIS issued a letter to foreign countries requiring controls to prevent Dimetridazole residues in meat exported to the U.S. FSIS also requested the Food and Drug Administration to resolve the difference in the withdrawal periods for Carbadox between the U.S. and Country D.

Recommendation 2: Define criteria for residue certification of countries and apply that criteria in the certification process. Centrally maintain appropriate documentation. Provide a schedule for reviewing responses to the residue control questionnaire sent in July 1987.

FSIS Response: FSIS defined and provided a copy of the criteria used for residue certification. They also agreed to maintain better documentation and are reviewing responses (34 received) in the order received.

Recommendation 3: Ensure that foreign country residue plans address drugs which are either not approved or have not been presented for approval for use in the United States. Such plans should establish rationale for including or excluding the drug from residue testing.

FSIS Response: FSIS responded that they had implemented an enhanced data collection and expert review system to gather information on chemical compound use practices. This will permit FSIS to review country decisions on which compounds are included in their testing programs. FSIS anticipates that their review of country testing programs will take five years to complete.

Recommendation 4: Ensure that the foreign test methodologies and management procedures discussed in Detail 1 for countries B, C, E, as well as for all eligible countries, are at least equal to those used in the United States.

FSIS Response: FSIS reviewed the test methodologies and management procedures and determined them to be at least equal to those used in the United States.

Recommendation 5: Ensure that Country C provides FSIS with a list of approved animal drugs immediately for appropriate FSIS review and action.

FSIS Response: Country C supplied such a list and FSIS responded that it would use the list.

Recommendation 6: Distribute the audit report to all countries eligible to export meat and poultry products to the United States and advise foreign countries that they need to ensure that the laws and regulations governing their meat inspection system are effectively enforced.

FSIS Response: FSIS distributed the report to all eligible foreign countries.

Recommendation 7: Followup with Country C officials to ensure that there are appropriate controls over U.S. export certificates. Perform a detailed review of all issued certificates to determine if Country C has full accountability over U.S. exports and followup on outstanding certificates referenced in the details of the finding.

FSIS Response: FSIS reviewed the export certification procedures used by Country C. FSIS reported that Country C was able to account for all export certificates.

Recommendation 8: Require that Country E modify its system to include appropriate controls for all export certificates and official stamps issued for use at export establishments.

FSIS Response: FSIS responded that Country E had begun to serially number its export certificates.

Recommendation 9: Followup on the 314 cases of frozen boneless beef to ensure that they are not entered into U.S. consumption channels withount FSIS inspection.

FSIS Response: The 314 cases of frozen boneless beef were found in a Customs bonded warehouse. FSIS took steps to ensure that this shipment would not enter into U.S. commerce by voiding the export certificate for this shipment.

Recommendation 10: Incorporate a system upon completion of rulemaking to ensure that FSIS is aware of all shipments of meat products into the United States and whether those meat products are reinspected by FSIS for entry into U.S. commerce.

FSIS Response: FSIS responded that it would propose a rule requiring meat products destined for U.S. consumption be presented to FSIS for reinspection at the point of unlading.

Recommendation 11: Consider establishing penalties upon completion of rulemaking for import brokers who fail to follow procedures established by FSIS.

FSIS Response: FSIS agreed to consider the need for new penalties after new procedures are implemented regarding port-of-unloading inspections.

Recommendation 12: Continue to coordinate efforts between FSIS and U.S. Customs to develop a program or process which would enable them to identify and followup on discrepancies for imported meat products.

FSIS Response: FSIS officials responded that they would not devote scarce resources to reconciling differences between the FSIS and U.S. Customs Service data bases. Since we (OIG) were aware of the accuracy problems of the U.S. Customs Service data bases, we did not pursue this recommendation any further. We also based this decision on the U.S. Customs Service's plan to overhaul its system. We expect to reevaluate this issue on our next audit.

FNS ACCOUNTABILITY PROCEDURES

Mr. WHITTEN. The last several years OIG audits have turned up excessive reimbursements to school systems for the national school lunch programs. Partially in response to your audits and investigations, the FNS has instituted new Audit and Accountability Procedures in its own stepped-up audit abilities. Last year you indicated that you had not had an opportunity yet to review the new Federal

Review Initiative of FNS. Can you bring us up to date on that project?

Mr. SNEAD. We recently have initiated an audit to assess FNS's Accountability Procedures. Once finished we will be in a position to measure its effectiveness.

OIG ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION?

Mr. WHITTEN. We know that you have established a new Accounting and Financial Management Division at your Washington headquarters office. Would you please explain its primary objective and the number of staff resources to be applied to this new division?

Mr. SNEAD. The Accounting and Financial Management Division, AFMD, is responsible for coordinating all audit activity in the areas of financial management, internal controls and automated data processing, DPD. AFMD was established to strengthen OIG audit approaches pertaining to adequate accounting systems, improved financial management, better cash and debt management, and adequate ADP security and control in USDA programs. The AFMD staff consists of seven people: a Director, three auditors, two mathematical statisticians, and one specialist.

BONUS PAYMENTS IN THE EXPORT ENHANCEMENT PROGRAM

Mr. WHITTEN. We know that OIG reviewed the export enhancement program last year and that there were considerable questions raised concerning over $150 million of transportation bonus payments that represent the difference between U.S. shipping costs and those incurred by European Communities for similar conditions. We also know that you looked at the Foreign Agricultural Service's method for calculating world prices that related in bonus payments of almost $90 million. Please bring us up to date on what the FAS response was to your concerns and whether they have changed their procedures to cover your concerns.

Mr. SNEAD. On November 20, 1989, the Office of the General Counsel rendered a legal opinion stating that the Commodity Credit Corporation, CCC, is authorized to consider freight costs to destinations in calculating bonus levels whether the program is carried out under the provisions of the CCC Charter Act or the Food Security Act of 1985.

The Foreign Agricultural Service agreed to write internal operating procedures related to the bonus calculation process. A primary purpose of these procedures is to ensure that FAS establish and maintain sufficient documentation to support all factors it uses in determining world prices for bonus calculations. We will be following up on all Export Enhancement Program audit recommendations during Fiscal Year 1990 to ensure that corrective action has been taken.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. Last year the Committee asked you about auditing the conservation reserve program bid requirements concerning restrictions on local rental rates. You indicated at that time that you had an audit scheduled during fiscal year 1989 in association with the sixth CRP signup. Have you completed your investigation of the CRP concerning rental rates, and can you provide us with some details?

Mr. SNEAD. We completed a review in August 1989 of the establishment of local rental rates for the sixth through eighth signup at seven county offices in four States. Our review disclosed that ASCS did not ensure compliance with supplemental legislation which specified that funds not be used to enter into new contracts with rental rates in excess of the prevailing local rental rates for an acre of comparable land.

Specifically, ASCS permitted the local rental rates to be increased to reflect other cost factors such as land value increases, maintenance, and return on investments in determining the prevailing local rental rates. In the States reviewed, ASCS allowed the use of other costs which increased local rental rates by $14 to $33 per acre.

We recommended that ASCS not accept any bids for the ninth signup period until the use of the other cost factors was revised or rescinded and until county committees established a prevailing local rental rate for each CRP bid that reflects only the current cash rental value. In response to the report, ASCS agreed to review, evaluate and revise the rental rate guidelines as necessary prior to the next signup period.

UNRESOLVED AUDITS

Mr. WHITTEN. For the record please provide us with a list of all unresolved audits completed by the OIG.

Mr. SNEAD. The following list represents audit reports with no management decision, formerly resolution, within the mandated 180 days from issuance, as of February 21, 1990. We are continuing to work with agency officials to reach a management decision. Many of these will have a management decision by the date of our March 31, 1990, Semiannual Report to Congress.

[The information follows:]

Audit title	Title	Release date
	Agricultural Stabilization and Conservation Service (ASCS)	
1. 03091-0014-FM	Employment of Federal Annuitants as "Experts" for Commodity Credit Corporation	10/04/88
2. 03097-0004-TE	Maximum Payment Limitation, Jackson County Arkansas	07/20/89
3. 03099-0070-CH	Deficiency Payments for Hybrid Seed Corn Acreage, Illinois	09/30/88
4. 03099-0076-CH	Internal Controls Over Commodity Certificates Redemption, Illinois State ASCS	03/07/89
5. 03099-0078-CH	Shelby County, ASCS, Illinois, Audit of Loan Redemptions with Commodity Certificates.	03/29/89
6. 03099-0123-KC	Follow-up Review of Conservation Reserve Program	09/30/88
7. 03099-0128-AT	Payment Limitation Special Request—Alabama	05/17/89
	Farmers Home Administration (FmHA)	
8. 04099-0124-TE	FmHA Business and Industrial Loan Sherman Construction Co. Inc., St. Tammany Parrish, Slidell, Louisiana.	05/04/87
9. 04099-0135-TE	FmHA Business and Industrial Loan to Lebossier Hotel, Bossier City, Louisiana	09/02/88
10. 04099-0149-TE	FmHA Business and Industrial Loan to Gulf Coast Wood Products, Cuero, Texas	09/07/89
	Federal Crop Insurance Corporation (FCIC)	
11. 05099-0008-SF	FCIC—1988 Crop Year Insurance Contracts (Policy No. 46-413-01793)	05/18/89
12. 05099-0010-CH	FCIC—Policy No. 02023, Yellow Medicine County, Minnesota	07/21/89
13. 05099-0013-AT	FCIC—Thurston Fire and Casualty—Policy No. 43469	06/14/89

Audit title	Title	Release date
14. 05099-0014-AT	FCIC—National Ag. Underwriters Policy No. 16-047-38351	08/23/89
15 05099-0016-CH	FCIC—Policy No. 00141, West Polk County, Minnesota	07/26/89
16. 05099-0017-CH	FCIC—Policy No. 02589, Brown County, Minnesota	07/18/89
17. 05099-0018-CH	FCIC—Policy No. 03943, Nobles County, Minnesota	07/10/89
18. 05099-0022-CH	FCIC—Policy No. 65942, Traverse County, Minnesota	07/21/89
19. 05099-0032-TE	FCIC Crop Hail Adjusted Claims by Producers Who Received Large ASCS Payments	07/31/89
20. 05099-0034-KC	FCIC Claim Contract No. 33-017-50709 Cass County, North Dakota	08/24/89
21. 05099-0035-KC	FCIC Claim Policy No. 33-000-51064-McLean County, North Dakota	08/23/89
22. 05099-0036-TE	FCIC Policy No. 27-069-02305, Kittson County Minnesota	08/10/89
23 05099-0037-TE	FCIC Claims Policy No. 30-051-37260, Liberty County, Montana	08/04/89
24. 05099-0041-KC	FCIC Claim Policy No. 21215 Lucas County, Iowa	08/22/89
25. 05099-0046-KC	FCIC Claims Contract No. 33-836-034729 Grant County, North Dakota	08/23/89
26. 05099-0051-KC	FCIC Claims Lamoure County, North Dakota	08/16/89
27. 05099-0052-KC	FCIC Claims, Cass County, North Dakota	08/17/89
28. 05099-0053-KC	FCIC Claims Contract No. 25-416-05035 Liberty County, Montana	07/14/89
29. 05099-0054-KC	FCIC Claims, Story County, Iowa	08/17/89
30. 05099-0055-KC	FCIC Claims Policy No. 30-041-95927 Hill County, Montana	07/27/89
31. 05099-0058-KC	FCIC Claims Policy No. MP-06404, Keokuk County, Iowa	08/25/89
32. 05099-0060-KC	FCIC Claims, Contract No. 30-085-92370, Roosevelt County, Montana	08/23/89
33. 05099-0061-KC	FCIC Claims, McLean County, North Dakota	08/21/89
34. 05099-0072-KC	FCIC Claims, Policy No. MP-01216 Washington County, Nebraska	08/16/89
35. 05099-0080-KC	FCIC Claims, Osage County, Kansas	07/31/89
36. 05099-0081-KC	FCIC Claims Doniphan County, Kansas	08/17/89
37. 05099-0085-KC	FCIC Claims Policy No. 95784, Chouteau County, Montana	08/16/89
38. 05099-0086-KC	FCIC Claims Policy No. 28144 Divide County, North Dakota	08/21/89
39. 05099-0089-KC	FCIC Claims Policy No. 12228 Louisa County, Iowa	08/23/89
40. 05099-0092-KC	FCIC Claims Policy No. 55956 Grant County, North Dakota	08/24/89
41. 05099-0097-KC	FCIC Claims Policy No. 80145 Bon Homme County, South Dakota	08/21/89
	Cooperative State Research Service (CSRS)	
42. 13601-0001-AT	Research Facilities Program, Washington, DC	03/31/89
	Animal and Plant Health Inspection Service (APHIS)	
43. 33615-0002-HY	Screwworm Eradication Program	06/30/88
	Multi-Agency	
44. 50099-0020-AT	FmHA Unauthorized Use of Inventory Property	05/17/89
45. 50568-0056-HY	State of Vermont, A-128 SFYE 6/30/87	08/08/89

WIC PROGRAM

Mr. WHITTEN. Last year you provide us with considerable detail concerning the women, infants, and children program and problems related to inflated voucher claims by small grocers. Please bring us up to date on your continuing review of the WIC program.

Mr. SNEAD. Presently, we are conducting a nationwide audit of WIC administrative costs to evaluate FNS's and State agencies, SA, internal controls over the program, and to determine the propriety of SA claims. In addition, we are reviewing States' implementation of cost containment measures to determine whether rebates received from infant formula companies are being used to further the WIC program. In the second half of fiscal year 1990, we are planning a followup review of vendors accepting WIC vouchers.

FNS VENDOR PARTICIPANT ABUSE

Mr. WHITTEN. What has FNS done to resolve its vendor participant abuse problems?

Mr. SNEAD. In response to our audit of the Vendor Monitoring and Food Instrument Delivery System conducted in 1988, FNS stated that they planned to develop and use a comprehensive management evaluation guide to review State WIC operations; obtain and analyze State and local management evaluation results to identify and evaluate potential weaknesses and/or patterns of deficiencies. It also will revise regulations to require State agencies to: use minimum techniques and criteria to identify high risk vendors; develop effective methods to prevent vendor overcharging on food instruments; perform compliance purchases; apply specific sanctions for vendors found violating regulations; and disqualify vendors from the WIC Program if disqualified from the FSP.

We have an audit planned for the second half of FY 1990 to determine what, if any, corrective action has taken place, and whether or not it is effective.

CONFIDENTIAL FUNDS

Mr. WHITTEN. The appropriations language allows for up to $95,000 to be spent for certain confidential operational expenses. In fiscal year 1989, how much money was actually used under this authority?

Mr. SNEAD. Investigations actually expended $45,761 of the $95,000 allowed. At various times throughout the year as much as $74,000 had been allocated for use. The unexpended portion was returned to the Treasury after the end of the fiscal year.

FIREARMS

Mr. WHITTEN. In carrying out the duties of the OIG in fiscal year 1989, were there any instances where firearms were actually used by your personnel or against your personnel?

Mr. SNEAD. During the past year, OIG has not had any incidents in which our agents discharged firearms or in which firearms were discharged against our agents. However, there were numerous instances when OIG agents have had to disarm individuals and/or seize firearms during the execution of arrest and search warrents. We have had many investigations dealing with dangerous felons known to carry weapons as well as individuals known to sell or use cocaine and other illegal narcotics.

OUTSIDE PUBLIC ACCOUNTANTS

Mr. WHITTEN. Please provide a five-year table showing the amount of funds expended for outside public accountants hired under contract with the OIG. Please explain for us what criteria you use to decide whether outside public accountants will be used versus your own OIG staff.

Mr. SNEAD. We use private Certified Public Accounting, CPA, firms under contract to perform primarily financially related audits. We also use CPA firms to perform audits of contracts, pricing proposals and contract claims where the Defense Contract Audit Agency is not cognizant, and claims for reimbursement, including administrative costs of the grant recipient. We are planning to use CPA firms to provide us technical assistance on complex financial accounting and reporting issues in connection with

our audit of the financial statements of the Farmers Home Administration. I will provide for the record a list of funds expended for outside public accountants hired under contract.

[The information follows:]

Fiscal year:	*Expended*
1987	$382,267
1988	144,220
1989	102,000
1990 [1]	[2] 102,000
1991 [1]	500,000

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[1] Estimated.

[2] During fiscal year 1990, we expect to issue contracts totaling $400,000 for audits of the Food and Nutrition Service Child Care Food Program.

Mr. WHITTEN. Mrs. Smith?

FOOD STAMP PROGRAM ABUSE

Mrs. SMITH. Thank you, Mr. Chairman.

We always appreciate having you come and look forward to your statements. You give us a lot of good information. Now, talking a little bit about the Food Stamp Program, you said that you spent about 26 percent of your investigative resources working on the Food Stamp Program.

You had 500 indictments, you found that more of this money is being spent for drugs than in the past. Do you find disproportionately higher fraud and mismanagement in the Food Stamp Program than in other areas that you investigate?

Mr. SNEAD. No, I can't say it was disproportionately higher. In the Food Stamp Program, food stamps are much like a currency.

They pass just like a dollar on the street, and therefore because of the ease in passing them, many people will use them to buy things other than food.

We do see that quite a bit.

Mrs. SMITH. Do you see this fraud increasing across the board in the Food Stamp Program or decreasing?

Mr. SNEAD. At the retail level in the redemption area, I think the controls are there to do something about it.

At the local level where people are transferring the food stamp, it's hard to get a real fix on the percentage. But I think it has been decreasing over the years at the retail level. I think our summary shows that.

Mrs. SMITH. Now, you spoke about a pilot project where you had over 99 percent accuracy in the food stamp redemption. Is it going to be more broadly implemented? What comes next?

Mr. SNEAD. I think the Department is planning to expand that program.

DISASTER ASSISTANCE PROGRAMS

Mrs. SMITH. Then I wanted to ask a question about the disaster payments. You said that you found considerable fraud in the disaster assistance programs.

What did the reviews show? Are we working on it? Have steps been taken by the Administration to reduce fraud?

Mr. SNEAD. Mrs. Smith, I'd like to ask my Assistant Inspector General for Audit, Jim Ebbitt, to speak to that?

Mrs. SMITH. Of course.

Mr. Ebbitt. We did find a number of problems, Mrs. Smith, in the disaster area. It seems that the main problem is in establishing the production from the past so that we have a measure by which to determine what the farmer normally grows and then to establish the production in the disaster year.

That's really where the main problem lies. We have pointed that out to the Department and have asked them to concentrate on those areas when they're accepting those applications.

They really have to concentrate on what happened in the past and what the farmer did produce in the current year.

Mrs. Smith. Well, we're going to be studying very carefully whether to continue a disaster type program or whether to try to improve the crop insurance program.

MEAT GRADING AND CERTIFICATION ACTIVITIES

Now, this meat inspection. I was just horrified when I heard you say that the AMS has only visited 17 of 3,700 retail outlets in a year.

You know, these visits are intended to assure the safe handling of meat, and that level of inspection is not very much.

To your knowledge, what action has been taken by the AMS to improve this?

Mr. Snead. It's my understanding that they are going to try to establish some procedures to increase them. The 3,700 locations were in one metropolitan area, so this is going to be a problem across the board, but AMS has indicated that they're going to try to step up the number of inspections in the future.

FY 1991 BUDGET REQUEST

Mrs. Smith. I see that your 1991 budget calls for a $5.8 million increase, and this is to put an additional ten staff years added to your budget to increase your ability to carry out your inspection work?

Mr. Snead. That's correct. We've broken our request down to eight in the audit area dealing with financial management and the foreign agriculture programs, and the others would be assigned to the investigative area dealing with public health and safety issues.

Mrs. Smith. I see.

I have no further questions, Mr. Chairman.

CONSERVATION RESERVE PROGRAM

Mr. Whitten. Earlier we asked about the rates being paid to take land out of production at a time when millions and millions of people in the world are hungry and need clothing, and we pay our folks not to produce.

But we shouldn't be paying them excessive amounts. I notice they built it up locally from $14 to $33. I want you to supply the Committee the details of where and when.

Mr. Snead. Yes, sir.

Mr. Whitten. I'm not going to put this information in the record, because they've had no chance to answer and all this.

But I think it would be worthwhile for the Committee to have it. Having the legal background of District Attorney, I don't think we should advertise this thing when they had no right to answer at this time.

I don't know what we'll do in the future, but we need to know where it is and what it is so that we can bring it up. Thank you very much.

Mr. SNEAD. I'll be glad to, Mr. Chairman. I will do that.

Mr. WHITTEN. Mr. Smith?

Mr. SMITH. No questions.

CLOSING STATEMENT

Mr. WHITTEN. Thank you very much. We appreciate your appearance here, and we're glad to work with you.

Mr. SNEAD. Thank you.

JAMES R. EBBITT
ASSISTANT INSPECTOR GENERAL FOR AUDIT

James R. Ebbitt is the Assistant Inspector General for Audit, Office of Inspector General, United States Department of Agriculture. In that capacity, Mr. Ebbitt is responsible for managing the audit program for the Department and its worldwide operations.

Mr. Ebbitt was born in Hudson, Michigan, and grew up in the Detroit area. He is a graduate of Cleary College in Ypsilanti, Michigan, and holds a degree in Business Administration.

Mr. Ebbitt began his career with the Office of Inspector General in Chicago in March 1970. He performed audits of a variety of major USDA programs and in September 1976 was promoted to the rank of Supervisory Auditor located in San Francisco. In April 1980, he accepted a promotion to serve on the headquarters staff of the OIG where he gave special emphasis to audits of the Food Stamp Program.

In 1982, Mr. Ebbitt was appointed the Regional Inspector General in San Francisco and was responsible for all of the audit work in the Western United States.

In 1987, he was appointed to his present position in Washington, D.C., as the Assistant Inspector General for Audit.

Biographical Sketch of Carol A. Johnson

Carol A. Johnson is a native of Boston, Massachusetts. She attended Aquinas Junior College in Newton, Massachusetts and received her Associate of Science Degree in 1971.

She began her Government career with the Department of the Navy. She served in the Food and Nutrition Service's (FNS) New England Regional Office for 2 years, transferred to the Legislative Affairs staff of FNS at Headquarters in 1977, and she served in the Budget Division of FNS as a budget analyst for the Special Nutrition Programs. In 1987, she joined the Budget Division staff of the Office of Budget and Program Analysis.

Ms. Johnson has been serving as the Budget Officer in the Office of Inspector General since May 1989.

She resides in Springfield, Virginia with her husband and two children.

OFFICE OF INSPECTOR GENERAL

Statement of Leon Snead, Deputy Inspector General, before the House Appropriations Subcommittee on Rural Development, Agriculture and Related Agencies, February 22, 1990.

Mr. Chairman, members of the Committee, I appreciate the opportunity to appear before you today to discuss the activities of the Office of Inspector General (OIG) and to provide you with our views on some of the major programs and activities of the Department of Agriculture.

During 1990, we are continuing our strategic approach in reviewing the Department's programs and assessing their susceptibility to fraud, waste, and mismanagement. We will continue to direct our efforts toward areas concerning public health and safety and to areas where large dollar losses could occur. We are placing special emphasis on payment limitations, Farmers Home Administration debt restructuring, foreign export programs, and the Food Stamp Program.

In Fiscal Year (FY) 1989, OIG identified $54 million in recoveries, collections, fines, restitutions, and administrative penalties. Additionally, management agreed to seek recovery of funds totalling $45 million. Another $2.1 billion was identified for which management made commitments to use funds more efficiently. Our efforts also resulted in 713 criminal indictments and 573 convictions.

ENTITLEMENT PROGRAMS

The Food and Nutrition Service (FNS) administers major entitlement programs which account for approximately 30 percent of USDA's budget. During the past year, we have conducted reviews in the WIC and Food Stamp Programs.

WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM

In the WIC program, we have completed audits in two States to review the propriety of payments for claims of State administrative costs. We found that the States claimed reimbursement for the salaries of employees who performed no WIC-related duties, performed duties on multiple programs without allocating costs properly, or based costs on budgeted salary costs rather than on actual costs. One of the States routinely charged the WIC program for the costs of non-WIC staff because of funding deficits or personnel limits in other programs. We questioned approximately $3.6 million in administrative costs claimed by the two States. Based on our audit recommendations, FNS officials are taking actions to collect these overpayments. We have also expanded our review of WIC administrative costs to an additional six States.

FOOD STAMP PROGRAM (FSP)

We reported previously on FNS accountability problems over food stamp redemptions. For example, in 1986, we found that redemptions, as reported by the Federal Reserve Bank, were $202 million more than reported by FNS in a 6-month period. We recommended that FNS take actions to reconcile these differences and to improve reporting at the local bank level. As a result, FNS established the Redemption Accountability Project as a pilot to improve food stamp accountability and reconciliation functions. The project was conducted at the Federal Reserve Banks in Memphis, Tennessee and Dallas, Texas, from September 1988 until March 1989.

We completed a review of the 6-month pilot project and found that it greatly improved accountability, reconciliation, and management control over food stamp redemptions. Reconciliation between food stamps redeemed and the participating State supporting deposit documents reached a 99.92 percent level. This represents a significant improvement over reconciliation levels existing before inception of the pilot operation. FNS expects to implement the system nationwide this fiscal year.

We also completed a series of audits of claims for reimbursement for State administrative costs in the FSP. Our audits in 10 States identified over $12 million in overcharges and potential savings. We found that States charged the program for expenses that were not eligible for reimbursement. FNS officials agreed to collect the funds and strengthen internal controls.

During FY 1989, we devoted about 26 percent of our investigative resources to investigations of fraud in the Food Stamp Program. We completed 727 food stamp investigations which resulted in 513 indictments, 413 convictions, and over $5.1 million in fines, penalties, restitutions, recoveries, and administrative claims. OIG's investigative activities in the Food Stamp Program have traditionally focused on fraud by retailers authorized to accept food stamps and on food stamp trafficking. Trafficking is the unauthorized transfer of food stamps in exchange for nonfood items and the use of food stamps as a so-called "second currency." Although the latter problem is not new, it has received increased public attention recently because of the use of food stamps in drug transactions. We have conducted trafficking investigations in which food stamps were used by undercover OIG Special Agents to purchase quantities of crack cocaine, marijuana, and other controlled substances.

In Arizona, a food stamp investigation conducted jointly with the Phoenix Police Department resulted in the conviction of four individuals for illegally purchasing a large quantity of food stamps in exchange for cash, cocaine, and marijuana. This case ended a yearlong investigation of a retail market which was described by the Phoenix Police as the center of drug-related activity in south Phoenix. Two of the individuals were sentenced to periods of imprisonment, and all four were ordered to make restitution.

In Missouri, we developed information which led to the discovery of three drug laboratories in southern California. A search of the laboratories by OIG, the Drug Enforcement Administration, and local police resulted in the seizure of 40 gallons of PCP and chemicals sufficient to produce another 600 gallons.

Six persons pled guilty to charges ranging from unauthorized possession of food stamps to distribution of PCP. They were sentenced to serve from 1-1/2 years to 27 years in prison.

Other examples of our food stamp cases involve: (1) unauthorized retailers; (2) recipient and delivery system fraud; and (3) fraud by Federal or state employees who administer the program. We continue to conduct food stamp investigations in conjunction with other Federal and local law enforcement authorities. We believe that our coordinated food stamp enforcement strategy is the most effective means of combating fraud in the program.

The Department's 1990 Farm Bill proposal includes several initiatives to strengthen program integrity and to increase the penalties for violations of program provisions. We believe that increased use of electronic benefit transfer (EBT) will reduce the opportunity to divert program benefits. We also believe that the Food Stamp Act should be amended to provide specific penalties for EBT fraud. The proposal to require taxpayer identification numbers and periodic recertification of participating stores will improve the Department's prevention and detection of retail store violations. We also believe that the initiative to increase civil money penalties and mandatory minimum penalties will serve as a deterrent.

FARM PROGRAMS

Several farm program activities within the Department are administered by the Agricultural Stabilization and Conservation Service (ASCS). ASCS principal activities include the administration and management of production adjustment, conservation, price support, disaster, and warehouse examination programs. ASCS also administers the Commodity Credit Corporation (CCC) programs that relate to the storage and handling of commodities acquired under CCC programs; set-aside and acreage reduction programs; and loan deficiency and diversion payment programs for wheat, feed grains, rice, and cotton which account for approximately $13.2 billion or 17.8 percent of USDA's budget.

We have a strategy to continue to address problems in farm program areas. Among our ongoing reviews of ASCS are audits of compliance with Payment Limitation Provisions; the 1988 and 1989 Disaster Assistance Programs; Commodity Warehouse Licensing and Examination Programs; and the 1989 Emergency Feed Program.

PRODUCTION ADJUSTMENT PROGRAMS

Under production adjustment programs, the total amount of deficiency and diversion payments which can be made to an individual person is limited to $50,000. Prior audits have shown that as large producers reached the $50,000 limit, they reorganized their operations in order to qualify for additional "persons" and thereby maximize program payments. In 1987, ASCS made payments of over $840 million to 227,500 producers who did not receive payments in 1986. Of these new producers, we identified about 16,000 producers who received about 30 percent of the new payments. From our audit of these payments, we statistically projected that 1,800 producers were not entitled to $66 million in payments because the entities receiving the payments were not separate and distinct operations.

While the Omnibus Reconciliation Act of 1987 closed some of the past loopholes, producers who reach the payment limit continue to reorganize their operations and create additional entities. Consequently, the 1987 changes have only served to increase the number of reorganizations and thereby increase ASCS workload without reducing total program payments. During the period 1983-1987, the number of producers paid under ASCS programs increased from 590,000 to over 1,260,000.

Our findings indicated that, for the most part, a limit did not exist for total program payments. In one instance, 51 irrevocable trusts were created in 1989 so as not to reduce payments. By reorganizing, the owners were able to maintain the maximum program benefits and receive $1.43 million in payments. If the operations had not been reorganized for Crop Year 1989, the owners would have received only $666,000. As a result of the new law which allows equitable reorganizations such as this one, the owners obtained an additional $765,000 in payments.

While we will continue to evaluate compliance with the new rules, we recommended that ASCS perform a cost benefit analysis to determine whether the payment limitation provisions should be continued or if a change in legislation is required. ASCS agreed to study this issue and to review the administrative costs associated with administering the payment limitation program.

DISASTER ASSISTANCE PROGRAM

In 1988 and 1989, disaster assistance legislation was enacted to provide financial assistance to farmers who had experienced reduced crop yields. Our review of the ASCS implementation of the 1989 legislation disclosed that one State used overstated yields which resulted in excessive disaster assistance payments statewide of approximately $3.2 million.

Our review also disclosed that regulations implementing the program do not conform to the authorizing legislation as it relates to the computation of yields for nonprogram crops. The Disaster Assistance Acts state that the yield for the farm shall be based upon actual production information provided by the producer. If such data are not maintained for the preceding 3 crop years, ASCS will establish a yield for the farm using county average yields for the commodity or other available data.

Our audit disclosed that ASCS generally accepted or used actual production records only when they were higher than the established county yield. In addition, ASCS regulations provide for adjusting actual production yields up to the county averages and do not encourage producers to submit actual production records. For one blueberry producer, the State Committee raised the producer's yield for disaster payments up to the county average of 600 containers per acre, although actual production records showed this producer's yield over 3 years to be 187 containers per acre. This increased his payment by $5,300. We recommended that ASCS revise the regulation and take immediate action to notify all offices of the actual production requirement and revise 1989 payments for all affected producers. ASCS responded that they believe the program as currently operating implements the intent of Congress in the use of assigned yields instead of actual production. We are continuing to work with the agency in resolving this issue.

CONSERVATION RESERVE PROGRAM

We continue to monitor agency efforts to meet legislated goals for enrolling acreage in the Conservation Reserve Program. Our review of program bids in four States for the sixth through eighth signup disclosed that ASCS accepted bids for amounts in excess of the prevailing cash rental rates. This occurred because ASCS permitted the local rental rates to be increased to reflect other cost factors such as land value increases, maintenance, and return on investment. This practice is not consistent with a supplemental legislative requirement prohibiting funds from being used to enter into new contracts with rental rates in excess of the prevailing local rental rates for an acre of comparable land. In the States reviewed, ASCS allowed the use of other costs which increased the rental rate from $14 to $33 per acre. In response to our report, ASCS agreed to review, evaluate, and revise such rates prior to any future signups.

DIRECT AND GUARANTEED LOANS

The Farmers Home Administration (FmHA) administers a broad range of direct and guaranteed loans. The agency provides lending assistance for Farmer Programs, Housing Programs, and Community Programs.

DEBT RESTRUCTURING PROGRAM

We have placed emphasis on evaluating FmHA's implementation of the debt restructuring program, a primary component of the Agricultural Credit Act of 1987. This program, estimated to cost about $9 billion, provides for the writedown or writeoff of delinquent debt. We began our review as soon as the legislation was passed in order to make timely recommendations to preclude potential dollar losses as program activity increased. A number of significant issues have been reported thus far including the identification of a loophole in the legislation that has had a significant negative impact on the program. Specifically, borrowers who had converted security property have been permitted to participate in the net recovery buyout option without-recourse. This option allows borrowers to purchase their loan note at an amount equal to the current value of the security less liquidation costs and fully satisfy their legal obligation. Under existing FmHA regulations, a borrower can illegally dispose of property securing the loan and still qualify for "buyout," in which the borrower buys out his debt at the current value of security less expenses FmHA would have to pay if it foreclosed and sold the property. Because the "buyout" is computed on only what remains of his security property, the Government loses the value of the property disposed of. In other words, FmHA was allowing borrowers to benefit from the unauthorized disposal of the loan security. We recommended that the agency seek a legislative change to preclude this activity. The agency agreed and legislative provisions to close the loophole are included as a part of the Department's 1990 Farm Bill proposal.

INTEREST ACCRUAL ON DELINQUENT GUARANTEED LOANS

OIG audits of FmHA's Business and Industry Loan Program identified a serious financial management weakness that resulted in large dollar losses. FmHA provides financial assistance to borrowers by guaranteeing loans made by commercial lending agencies. FmHA reimburses the lender for the agreed-upon percent of principal plus any accrued interest whenever the lender sustains a loss. Regulations governing the Business and Industry, Economic Emergency, and Rural Housing programs do not specify how soon after the borrower defaults that the lending agencies must submit final loss reports. Currently, interest continues to accrue on the borrower's unpaid principal until the lender submits a final loss report. We recommended that FmHA require lending agencies to file estimated loss reports within 90 days of default and that FmHA pay its share of the note based upon that estimate. FmHA could save over $8.3 million annually by avoiding unnecessary interest charges on defaulted guaranteed loans by paying on the estimated loss reports. FmHA agreed that interest accrual on delinquent guaranteed loans should be limited to a 90-day timeframe and has initiated the necessary regulatory changes.

REA LOAN FUNDS DIVERTED

We recently completed an inquiry into improper diversion of low interest loan funds from the Rural Electrification Administration (REA) by a nonprofit electric distribution cooperative in Washington. Our investigation showed that over a period of several years, millions of dollars in loan funds were diverted to profit-making subsidiary firms using a price inflation scheme and through the purchase of foreign-made materials. Although criminal charges are still pending in this case, REA and the Department of Justice entered into a settlement agreement with the board of directors of the cooperative and the certified public accounting (CPA) firm which was responsible for performing the required audits of the cooperative. The cooperative's board of directors and its CPA firm have already made a $2.5 million payment to the U.S. Treasury, instituted management reforms at the cooperative, and agreed to remedial action by the CPA firm. Based on our review, we believe that the CPA firm did not follow professional auditing standards. As a result, we intend to refer the firm to the American Institute of Certified Public Accountants (AICPA) and State Board of Accountancy.

FINANCIAL MANAGEMENT AND ADP INITIATIVES

We have continued to place a high priority on the assessment of internal accounting and administrative controls within USDA. Systems of internal control are routinely assessed within the scope of all audits, and deficiencies are reported to agency managers for corrective action. In addition, we conduct reviews to determine whether the Department's internal control review and evaluation process is implemented in accordance with the requirements of Office of Management and Budget Circular A-123 and the Federal Managers' Financial Integrity Act of 1982.

We have increased our emphasis on Financial Statement auditing. Beginning in FY 1988, we have worked with the General Accounting Office in the conduct of financial statement audits involving three USDA agencies. In FY 1990, OIG will assume full responsibility for auditing the financial statements of the Farmers Home Administration.

Our audits of ADP security disclosed serious control deficiencies in Departmental computer center operating systems and security software. These deficiencies would have allowed unauthorized individuals to access, modify, and/or destroy agency computer data, programs, and other resources without management being aware of the change. As a result of our audit efforts, the Department initiated corrective action to eliminate or substantially reduce security vulnerabilities reducing the risk of USDA program data being accessed, altered, or destroyed by accident or by unauthorized personnel.

CONSUMER PROTECTION

During this past year, we performed audits of certain aspects of egg inspection and meat grading activities.

EGG PRODUCT INSPECTION

The Egg Products Inspection Act requires the Agricultural Marketing Service (AMS) to conduct inspections at egg product plants, sample and test egg products, and ensure the proper labeling of products. In auditing the egg inspection activities, we found numerous problems at the egg plants including improperly stored chemicals; facilities and equipment in need of repair; egg products stored in unmarked containers and in containers marked for chemicals; and facilities constructed that had not been approved by AMS in advance. AMS supervisors had reported these types of problems to plant officials but had limited success in gaining compliance. AMS allowed the processing of egg products to continue despite violations because AMS did not monitor inspection reports, establish deadlines for corrective action, or suspend operations when problems remained unresolved. AMS also could not ensure that commercial laboratories could detect salmonella in egg products. AMS had no accreditation procedures to qualify commercial laboratories to test egg products, and, although the agency found laboratories conducting tests improperly, AMS did not routinely look for improprieties.

AMS concurred with our recommendations and is taking action to correct these deficiencies.

MEAT GRADING AND CERTIFICATION ACTIVITIES

AMS provides meat grading and certification services to about 600 meat packing and processing plants nationwide. AMS grades approximately 12.2 billion pounds of red meat per year at these establishments. AMS records did not indicate that corrective actions were taken on instances of misgraded meat documented on supervisory review forms. We found that corrective action had only been taken in 24 percent of instances of misgraded meat documented by supervisors. We also noted that corrections of undergrades were documented at about twice the rate of overgrades.

AMS also visits retail food establishments to ensure that retail outlets comply with grade labeling and advertising requirements. We found that AMS visited only 17 of 3,700 retail outlets in one large metropolitan area over a 2-year period. We also noted that AMS was not conducting required followup reviews of retailers when violations were previously found.

AMS agreed that better documentation was needed to show that corrective actions were taken on misgraded product found during supervisory reviews. AMS also agreed that it needed to perform an increased number of visits to retail stores each year.

MARKET DEVELOPMENT

During the past year, we have testified on several occasions before Subcommittees of the House Agriculture Committee on significant issues noted during our audits of the Export Enhancement and Export Credit Guarantee programs. The following is a summary of what we found in these program areas.

EXPORT ENHANCEMENT PROGRAM

The Export Enhancement Program (EEP) was established by the Secretary in May 1985, and subsequently included in the 1985 Farm Bill, to bolster declining markets for U.S. agricultural exports. The EEP is not intended to undercut world market prices but to compete with countries that subsidize commodity exports.

Our audit indicated that the Foreign Agricultural Service (FAS) targeting strategy was not supported. FAS did not have written procedures by which to identify countries or commodities that should be included in the program. Some of the countries included in the program did not show a strong competitive market between U.S. and European commodities.

We reviewed the FAS procedure for determining the European Community's price for wheat, adjustments it makes to U.S. wheat prices, and the resulting bonus value determination. FAS did not have written procedures for or sufficient documentation to support these calculations. Therefore, we were unable to determine how FAS arrived at its world price figures. Based upon available data, we believe that the FAS calculations could have overstated the bonus value by up to $2 per metric ton. If all EEP sales were awarded at the full bonus value, we estimate the cumulative bonus overstatement as of August 1988 to be about $89.9 million. We did note that some bonus awards were made at less than the maximum amount allowable.

On the bonus calculations for incidental costs, such as potential claims and interest costs, we noted that FAS did make adjustments. Our review of exporters' records showed that, in most cases, the actual costs were less than the amount allowed by FAS; in some cases by as much as $3.07 per metric ton. The largest differences were for shipments to the People's Republic of China. Here, FAS factored in a cost primarily for treating wheat for snow mold, even if the wheat was shipped from an area where snow mold was not a problem. Overall, we estimate that about $25 million was overpaid in EEP bonuses for excessive incidental costs.

We have recommended, and FAS has agreed, that written policies and procedures for targeting countries and computing bonuses be developed and implemented. USDA redefined the program's criterion and published it in the Federal Register on November 27, 1989. We also recommended that FAS write policies and procedures for world price determinations and bonus calculations and document adjustments made to price quotes from attaches and other sources. FAS has agreed to publish EEP rules and regulations in the Federal Register.

We also found that participating U.S. exporters did not always maintain adequate program records or provide access to nonprogram information. As a result, we could not determine the appropriateness of bonuses awarded under the EEP. FAS has notified exporters that EEP's access to records provisions allows auditors to review records outside of EEP to determine compliance with program requirements. This authorization will also be formally published in regulations.

In regard to the bidding process for bonus payments, we found that bid assistance provided by FAS created the appearance of partiality in the bidding process. Through the bidding process, FAS selects exporters to participate in the program according to their bid for bonus payments. We noted nine instances where FAS had suggested a bid price. We recommended that FAS evaluate the bid assistance provided to certain bidders and ensure that program integrity in the bidding process is maintained both in practice and appearance. FAS agreed that it will not coach buyers in the timing, price, delivery points, and other sensitive matters.

FOREIGN COMMODITIES GUARANTEED UNDER THE EXPORT CREDIT GUARANTEE PROGRAM (GSM 102/103)

The Export Credit Guarantee Program, commonly referred to as GSM 102/103, guarantees repayment of credit extended to eligible foreign buyers of U.S. commodities. The principal objective of the Export Credit Guarantee Program is to maintain or expand export markets for U.S. agricultural commodities.

Our audit found that FAS controls did not prevent the sales of non-U.S. agricultural commodities under GSM 102/103. Exporters had included foreign agricultural commodities in 5 of the 11 commodities reviewed: beef cattle, planting seeds, soft drink concentrates, tobacco, and wood pulp. Of the $1.1 billion of commodities audited for FY 1988, FAS had guaranteed loans with a value of at least $169.2 million for export sales containing foreign agricultural commodities.

Misstatements by exporters were the main cause for foreign commodities being included in the GSM 102/103 sales guarantees. Some exporters declared that 100 percent of the commodities they were exporting under GSM 102/103 sales were of "U.S. Origin," when a portion of those commodities was foreign. Some exporters knowingly made these misstatements while others were apparently unaware that a portion was of foreign origin. The major problem was with tobacco. Of the $169 million, $141 million of the loan guarantees were for tobacco shipments which contained from 25 to over 80 percent foreign tobacco.

We found that tobacco companies consistently blended foreign tobacco with domestic tobacco and exported the mixture as "U.S. Origin" tobacco under GSM 102/103 credit guarantees.

During our review, FAS initiated action to strengthen controls and provide additional guidance to prevent foreign agricultural commodities from being included in GSM programs. FAS currently has a study underway to review and evaluate commodity eligibility criteria to determine if the use of products of foreign origin in the process of, or inclusion in, an otherwise eligible U.S. agricultural commodity makes the commodity ineligible for loan guarantees. Also, FAS is in the process of enhancing the role of its Compliance Review Staff in reviewing GSM programs. FAS is committed to strengthening the overall internal controls in the GSM programs.

Additionally, we noted that current legislation allows U.S. exporters to claim customs duty drawbacks on imports of agricultural commodities. The drawback provision encourages the importation of foreign commodities which displace U.S. domestic production. We recommended that FAS pursue legislation that would prohibit exporters from applying exports under FAS export programs to claims for duty drawbacks. FAS agreed and the legislation has been enacted with the passage of Public Law 101-220 on December 12, 1989.

INSURANCE PROGRAMS

The Federal Crop Insurance Corporation (FCIC) is authorized to offer all-risk insurance for over 50 commercial crops in over 3,000 agricultural counties in the U.S. and to subsidize premium payments.

In 1987, we performed an audit of insurance claims we believed had the highest probability for loss. Of the claims we reviewed, about 69 percent had errors affecting the amount. About 50 percent of the indemnities paid to farmers by reinsured companies were excessive, resulting in losses of $5 million.

In a followup audit, we reviewed claims for the 1988 corn, wheat, and soybean crops. Approximately 70 percent of all claims were paid for these crops. Our audit showed that 71 percent of the claims for corn, wheat, and soybeans had one or more errors that affected the claim amount and that 13 percent of the indemnities were overpaid. These errors resulted in overpayments of $90 million and underpayments of $1.6 million.

While FCIC has made progress in establishing an effective adjustment program, more improvements are necessary. Of critical importance is the need to further upgrade the compliance unit that provides oversight of the adjustment process. If it is to remain a viable program, FCIC needs to improve and enforce its regulations and initiate controls to prevent the possibility of dual insurance coverage. We recommended that FCIC pursue legislation requiring Social Security Numbers which would be one control mechanism.

FCIC agreed to issue instructions to loss adjustment personnel stressing the use of third party records, seek legislative approval to require Social Security Numbers, and update manuals to provide precise and detailed instructions.

FY 1991 BUDGET REQUEST

The FY 1991 budget request for the Office of Inspector General is $57.6 million. This request is $5.8 million above the FY 1990 budget of $51.8 million. The increase will fund 10 additional staff years for reviews in new and existing international programs, financial management, and in areas of public health and safety. Funds will also be provided to cover special pay rates mandated by the Office of Personnel Management for entry level auditors in high-cost areas, new training requirements for auditors required by Governmental Auditing Standards, and new training initiatives for investigators. The budget request also includes funds for the first year of a 3-year replacement and upgrade of the agency's nationwide ADP system, funds for the increased costs of official duty station moves and other operating costs. The increases in real estate and relocation service costs nationwide have forced the agency to reduce these moves by more than one-half in the past several years. Relocating OIG personnel to fill critical jobs and moving employees to those areas where the need has been identified are critical to the mission of the agency. In addition, this request includes $2.3 million for the 1989 pay raise and 50 percent of the 1991 pay raise.

This concludes my statement, Mr. Chairman. I will be glad to respond to questions from the Committee.

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Pursuant to the Inspector General Act of 1978, (5 U.S.C. app. 3), the Office of the Inspector General:

(1) provides policy direction and conducts, supervises and coordinates all audits and investigations;

(2) reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations, and the prevention and detection of fraud, waste and mismanagement in such programs;

(3) recommends policies for and conducts, supervises or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste and mismanagement;

(4) recommends policies for and conducts, supervises or coordinates relationships between the Department and other Federal, State and local government agencies concerning: (a) promoting economy and efficiency; (b) preventing and detecting fraud, waste and mismanagement; and (c) identifying and prosecuting people involved in fraud, waste and mismanagement; and

(5) keeps the Secretary and the Congress fully and currently informed about fraud, other serious problems, waste, mismanagement and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problem.

The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1989, total on board employment was 834 including 810 full-time and 24 other employees. There were 222 employees located in Headquarters and 612 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual Amount	1989 Actual Staff-Years	1990 Estimated Amount	1990 Estimated Staff-Years	1991 Estimated Amount	1991 Estimated Staff Years
Office of the Inspector General	$50,510,000	860	$51,779,000	860	$57,630,000	870
Obligations under other USDA appropriations	483,654	—	—	—	—	—
TOTAL, OIG	50,993,654	860	51,779,000	860	57,630,000	870

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling	860	860	870
Non-ceiling	30	30	30
Total	890	890	900

OFFICE OF THE INSPECTOR GENERAL

Permanent Positions by Grade and Staff-Year Summary
FY 1989 and Estimated FY 1990 and 1991

Grade	1989			1990			1991		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level IV	1	0	1	1	0	1	1	0	1
ES 5	1	0	1	1	0	1	1	0	1
ES 4	3	0	3	3	0	3	3	0	3
ES 3	3	0	3	3	0	3	3	0	3
ES 2	1	0	1	1	0	1	1	0	1
GS/GM 15	14	13	27	14	13	27	14	13	27
GS/GM 14	22	42	64	23	42	65	23	42	65
GS/GM 13	38	123	161	37	123	160	37	123	160
GS-12	12	217	229	12	217	229	12	219	231
GS-11	11	63	74	11	63	74	11	63	74
GS-9	4	59	63	4	59	63	4	61	65
GS-8	2	0	2	2	0	2	2	0	2
GS-7	14	89	103	14	89	103	14	92	106
GS-6	7	23	30	7	23	30	7	23	30
GS-5	7	40	47	7	40	47	7	43	50
GS-4	3	21	24	3	21	24	3	21	24
GS-3	2	5	7	2	5	7	2	5	7
Total Permanent Positions	145	695	840	145	695	840	145	705	850
Staff-Years:									
Ceiling	151	709	860	151	709	860	151	719	870
Non-ceiling	3	27	30	3	27	30	3	27	30
Total	154	736	890	154	736	890	154	746	900

OFFICE OF THE INSPECTOR GENERAL

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

	Personnel Compensation:	1989	1990	1991
	Headquarters	$7,159,303	$7,345,000	$7,807,000
	Field	25,178,376	25,946,000	27,931,000
11	Total personnel compensation	32,337,679	33,291,000	35,738,000
12	Personnel benefits	6,306,826	6,497,000	7,320,000
13	Former personnel	12,804	13,000	14,000
	Total personnel compensation benefits	38,657,309	39,801,000	43,072,000
	Other Objects:			
21	Travel	4,292,569	4,371,000	4,945,000
22	Transportation of things	185,170	188,000	347,000
23.2	Rental payments to others	169,380	172,000	189,000
23.3	Communications, utilities and misc. charges	2,212,526	2,253,000	2,525,000
24	Printing and reproduction	81,964	83,000	100,000
25	Other services	3,472,541	3,547,000	4,006,000
26	Supplies and materials	632,792	645,000	714,000
31	Equipment	706,102	719,000	1,732,000
42	Insurance and indemnities	9,892	0	0
43	Interest and dividends	1,311	0	0
	Total other objects	11,764,247	11,978,000	14,558,000
	Total direct obligations	50,421,556	51,779,000	57,630,000

Position Data:

Average Salary, ES positions	$74,000	$78,000	$95,000
Average Salary, GM/GS positions	$37,400	$38,000	$40,000
Average Grade, GM/GS positions	10.75	10.75	10.75

OFFICE OF THE INSPECTOR GENERAL

The estimate includes proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Inspector General

For necessary expenses of the Inspector General, including employment
pursuant to the second sentence of section 706(a) of the Organic Act
1 of 1944 (7 U.S.C. 2225), [$52,053,000] and the Inspector General Act of
1978, as amended, $57,630,000, including such sums as may be necessary
for contracting and other arrangements with public agencies and private
persons pursuant to section 6(a)(8) of the Inspector General Act of
1978, as amended [(Public Law 95-452)], and including a sum not to
exceed $50,000 for employment under 5 U.S.C. 3109; and including a sum
not to exceed $95,000 for certain confidential operational expenses
including the payment of informants, to be expended under the direction
of the Inspector General pursuant to Public Law 95-452 and section 1337
of Public Law 97-98.

These changes in language are for the purpose of clarification of the law.

OFFICE OF THE INSPECTOR GENERAL

Appropriation Act, 1990	$ 52,053,000
Budget Estimate, 1991	57,630,000
Increase in Appropriation	+5,577,000

Adjustments in 1990		
Appropriation Act, 1990	$ 52,053,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-274,000	
Adjusted base for 1990		$ 51,779,000
Budget estimate		57,630,000
Increase over adjusted 1990		+5,851,000

SUMMARY OF INCREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Cost Increase	Program Changes	1991 Estimated
Audit and Investigations	$51,779,000	+$2,284,000	+$3,567,000	$57,630,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual		1990 Estimated			1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase	Amount	Staff Years
Audit and Investigations	$50,421,556	860	$51,779,000	860	+$5,851,000	$57,630,000	870
Unobligated	88,444	—	—	—	—	—	—
Total Available or estimate	50,510,000	860	51,779,000	860	+5,851,000	57,630,000	870
Gramm-Rudman-Hollings Reduction	—	—	274,000	—	—	—	—
Total, appropriation. .	50,510,000	860	52,053,000	860	+5,851,000	57,630,000	870

EXPLANATION OF PROGRAM

This appropriation funds the activities authorized by the Inspector General Act of 1978 as amended. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Inspector General:

-- conducts and supervises audits and investigations relating to programs and operations of the Department of Agriculture;

-- provides leadership and coordination and recommends policies for activities designed (a) to promote economy, efficiency, and effectiveness and (b) to prevent and detect fraud and mismanagement in programs and operations of the Department; and

-- keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

The following table shows the audits, investigations, and staff-years planned for each area for Fiscal Year 1990.

Area	Audits/ Cases	Staff-Years of Effort
Audit	645	500
Investigations	1,503	350
Total	2,148	860

GAO Reports

None.

JUSTIFICATION OF INCREASES

An increase of $5,851,000 consisting of:

(a) An increase of $600,000 and 10 staff-years.

Need for Change. Additional audit coverage is required in international programs and in USDA cash and debt management programs. Also, additional pressure has been placed on OIG's investigative resources to increase its efforts to uncover serious criminal violations of regulatory laws in the areas of public health and safety, such as Meat and Poultry Inspection and Grading Programs.

Nature of Change. This increase will be used for audit activity in reviewing the new and existing international programs and USDA cash and debt management programs, as well as add investigative positions in the Department's regulatory program areas which have direct impact on public health and safety.

(b) An increase of $2,200,000 for funding of ADP activities, training, and Official Duty Station (ODS) moves.

Need for Change. An additional $900,000 for ADP activities. By FY 1991, the nationwide computer system will be at its 6 year estimated systems life. With a state-of-the art system, OIG auditors and investigators would be able to perform more sophisticated and technical reviews of increasingly complex USDA programs.

An additional $300,000 for training. This funding is needed to meet new training requirements for auditors established by the General Accounting Office and new training initiatives for investigators established by the Federal law enforcement community.

An additional $1,000,000 for ODS moves and travel. Increases in real estate and relocation service costs nationwide have forced the agency to reduce official duty station moves by more than one-half in the past several years. This funding will enable OIG to remain responsive and flexible in carrying out its audit and investigative programs.

Nature of Change. The increase for the funding of ADP activities is for the first year of a 3 year replacement and upgrade of the nationwide ADP system, including Headquarters and seven regional office systems.

The increase for training will be used to achieve these new requirements and initiatives.

The increase for ODS moves and travel serves as an important tool by placing OIG personnel in locations with the most critical need to take advantage of particular skills and expertise of current employees.

(c) An increase of $300,000 for funding of special pay rates for entry-level auditors.

Need for Change. Additional funding is needed to pay for the special pay rates established by the Office of Personnel Management for entry-level auditors in high cost areas.

Nature of Change. The increase will fund salaries offered to recruit highly qualified applicants into the Federal Government.

(d) An increase of $467,000 for increased operating costs.

Need for Change. Costs for the Kansas City, National Finance, and Fort Collins Computer Centers have increased. Rent, utilities, and telecommunication costs have also risen. The Centers provide the agency necessary statistical support, data analyses and storage, and administrative support.

Nature of Change. The increase will fund these higher costs.

(e) An increase of $1,573,000 for the 1989 pay raise and $711,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1989 and Estimated 1990 and 1991

	FY 1989		FY 1990		FY 1991	
Locations	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	4,467,121	91	4,587,133	91	5,008,027	92
District of Columbia	14,754,875	151	15,154,115	151	17,644,586	151
Georgia	6,736,373	128	6,917,349	128	7,552,053	130
Illinois	5,287,326	107	5,429,373	107	5,927,547	109
Maryland	5,365,668	110	5,509,819	110	6,015,374	111
Missouri	7,442,591	147	7,642,540	147	8,343,784	149
New York	1,535,401	30	1,576,650	30	1,721,316	31
Texas	4,832,201	96	4,962,021	96	5,417,313	97
Total Available or Estimate	50,421,556	860	51,779,000	860	57,630,000	870

OFFICE OF THE INSPECTOR GENERAL

STATUS OF PROGRAM

The Office of Inspector General (OIG) is operationally independent of other agencies of the Department. OIG has the responsibility to: (1) supervise, coordinate and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) recommend policies for, and to conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency, and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (3) keep the Secretary and Congress informed of fraud and other serious problems, waste, and deficiencies relating to the administration of programs and operations of the Department; and (4) recommend corrective action and report on progress made in implementing such action.

ACCOMPLISHMENTS IN FISCAL YEAR 1989

During Fiscal Year 1989, OIG issued 559 audit reports and 1,398 investigative reports. Investigations also had 713 indictments, 573 convictions, and 48 suits filed. The period of time to get court action on an indictment varies widely; therefore, the 573 convictions are not necessarily related to the 713 indictments.

Audit Monetary Results (in millions)

Audit Reports Issued

During Fiscal Year 1989, OIG issued 559 audit reports and the monetary values associated with these reports were:

Questioned and Unsupported Costs and Loans	$96.6
Funds Be Put to Better Use	$476.8
Improper Agency Actions	$170.6
Total Audit monetary results	$744.0

Audit Reports with a Management Decision

During Fiscal Year 1989, management decisions were made on 493 audit reports. t the time of management decision, the monetary values agreed to by agencies were:

Management's Commitment to Seek Recovery (Disallowed Costs)	$45.1
Management's Commitment to Put Funds to Better Use	$2,147.7
Improper Agency Actions (Not Intended for Collection)	$2.2
Total Dollar Impact Fiscal Year 1989	$2,195.0

Investigative Monetary Results (in millions)

Recoveries and collections	$20.9
Cost avoidance (payments not made based on investigations)	$ 8.1
Fines	$ 3.1
Administrative penalties	$11.3
Restitution	$10.5
Total Investigative monetary results	$53.9

AUDIT ACCOMPLISHMENTS

OIG's ability to identify critical or vulnerable areas subject to fraud, waste, and mismanagement has been enhanced by the development of agency, program, and activity profiles. The profiles include the operational environment; applicable laws, regulations and other instructions; congressional interest; and previous OIG work in the area. Integrating the profiles into our previously developed strategic areas that focus on specific goals, objectives and actions has enabled OIG to identify the highly critical or vulnerable areas for audit coverage. Highlights of significant accomplishments are described below.

During Fiscal Year 1989 OIG created and conducted the pilot session of the Intermediate Training Program in our Audit Academy. The entry-level training program developed during Fiscal Year 1988 continues to provide our newly-hired auditors a comprehensive four-week course of the entire audit process. The intermediate training is a one-week course building on the basic training program and is designed to provide our junior auditors with the knowledge and skills necessary to perform their assignments. These efforts will help meet the Government Auditing Standards training requirements, which became effective in Fiscal Year 1989, in an effective and cost beneficial manner.

HEALTH AND SAFETY

Imported Meat Inspection Process

OIG audited the inspection systems for exported meat products in five countries comprising about 85 percent of the total meat products exported to the United States. During our visits to the five countries, we noted several deficiencies we believe could impact on the Food Safety and Inspection Service's (FSIS) certification that these countries meet the "equal to" provisions of the Meat Inspection Act for shipments of their products to the United States. We found: (1) two countries did not include tests to verify animal species while one also did not include tests for substances, such as chloramphenicol, in their residue testing plans; (2) residue sampling plans in two countries did not ensure that product samples were taken randomly; (3) quality assurance programs in two countries were not sufficient to ensure the accuracy of laboratory results; (4) four countries used animal drugs that were not approved for use in the United States, and one had not completed a list of animal drugs it had approved; (5) two countries may be testing for various substances using methodologies which are not "equal to" those in the United States; and (6) two countries did not have proper controls over meat export certificates.

We recommended that FSIS take action to ensure countries comply with FSIS requirements to test for species and foreign country residue testing plans address drugs which are either not approved or have not been presented for approval for use in the United States. We also recommended that FSIS ensure foreign laboratory test methodologies, quality assurance programs, and controls over export certificates for all eligible countries are "equal to" those used in the United States.

Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products

FSIS's National Residue Program involves evaluation of chemical compounds, sampling and laboratory testing of animal tissue, and following up on violations or suspected violations. Under its Compound Evaluation System, FSIS determines which chemical compounds are likely to occur in meat and poultry and which have a potential impact on public health.

We found FSIS did not make chemical compound evaluations in a timely manner and did not adequately document evaluations performed. We also found sample selection of tissue to be tested was not random, tissue sample analyses were not always conducted within established timeframes, and test results were not adequately documented. When excessive pesticide residue levels were found in animals, FSIS could not trace it back to the producer marketing the animal.

In selecting animal tissues for laboratory analysis, some inspectors excluded animals from the sampling universe when the producer could not be identified. In response to the audit, FSIS indicated actions were either underway or being proposed to address our recommendations to correct the noted deficiencies.

Egg Inspection Regulations Not Always Enforced

The Egg Products Inspection Act requires the Agricultural Marketing Service (AMS) to conduct inspections at product plants, sample and test egg products, and ensure proper product labeling. In our audit, we determined that AMS had not enforced inspection regulations and policies promptly or consistently at plants under inspection. We found plants that stored chemicals improperly and AMS allowed the processing of egg products to continue although violations were not corrected. Also, AMS procedures to check on the performance of salmonella testing by commercial laboratories was not effective. AMS has agreed to strengthen its enforcement program.

ENTITLEMENT PROGRAMS

Improved Controls Over the Food Stamp Bank Monitoring System

We followed up on a previous audit in which we reported that the Food and Nutrition Service's (FNS) accountability over food stamp redemptions needed significant improvement. For example, we found redemptions were out of balance a net of over $202 million in a six-month period. We recommended that FNS take actions to reconcile exceptions and to improve reporting at the local bank level. As a result, FNS has been working with the Federal Reserve Bank (FRB) to make the necessary changes and has established the Redemption Accountability Project to improve food stamp accountability and reconciliation of funds. The pilot project was conducted at FRBs in Memphis, Tennessee, and Dallas, Texas, between September 1988 and March 1989. We completed a review of the pilot and found it improved accountability, reconciliation and management control over food stamp redemptions.

New York City Received Excessive School Lunch Reimbursements

The National School Lunch Program (NSLP) operations were reviewed in New York City to determine whether claims for reimbursement were based on an accurate claims system. Of the 25 schools reviewed, 17 had inadequate systems to ensure accurate counting, recording, and reporting of lunches served. The schools had not implemented the State's and New York City's prescribed accountability procedures, and the City had not adequately assigned responsibility at the city level for ensuring accurate claims within the schools. By not accurately accounting for lunches served at the 17 schools, New York City received an excessive reimbursement of $488,082 for overreported lunches in school year 1987/88.

We also found that the State had not always followed up on findings to ensure that deficiencies were corrected or claims were established, and had not evaluated New York City's internal controls to ensure that the city effectively monitored the school's compliance with NSLP regulations.

FINANCIAL MANAGEMENT AND MULTI-AGENCY ACCOUNTING AND ADP SYSTEMS

OIG Establishes New Division to Oversee Management Control

Congressional and Executive bodies have focused on strengthened accountability and management control over Government resources. High dollar fraud experienced by several Federal departments increased the emphasis on the need for adequate internal controls over Federal programs and delivery systems. The Director of the Office of Management and Budget recently asked each Executive Branch Department and Staff Office to reevaluate its system of internal controls and emphasized that these controls are among management's most critical responsibilities. In addition, widely publicized incidences of unauthorized access to major ADP systems by computer hackers have underscored the importance of adequate security and control. With this increased emphasis on management control, OIG efforts involving accounting systems, improved financial management, ADP systems and security have assumed major significance. As a result, OIG established a new Accounting and Financial Management Division at the Headquarters level. The primary objective of the new division is to direct and coordinate all audit activity in the areas of financial management, internal controls, and ADP.

Farmers Home Administration (FmHA) Needs to Improve Its Guaranteed Loan Accounting System

OIG reviewed the operation of the Guaranteed Loan Accounting System to determine if the system was meeting stated objectives. We found that information concerning the status of individual guaranteed loans was not always accurate and up-to-date because of continuous unprocessed transaction backlogs. Unclear instructions were given to guaranteed loan lenders, and proper followup activities were not performed to ensure timely receipt of loan status information. In addition, FmHA's Fiscal Year 1987 financial statements did not adhere fully to generally accepted accounting principles. Contingent liabilities were understated by about $217 million, and loan contingencies were overstated by approximately $522 million. Also, weak internal controls allowed agency personnel to modify data and approve payments without documenting the actions or leaving audit trails.

Fiscal Management of International Training Activities Need Improvement

The Agency for International Development (AID), through a Resource Support Services Agreement, provides funds to the Office of International Cooperation and Development (OICD) to develop and monitor international training programs. We found that although OICD was able to identify amounts that should be billed and collected from AID, it had no procedures in place to verify that all fees had been billed and collected. We could not determine the amount OICD received for Fiscal Year 1988. OICD did not perform financial closeouts and reconciliations for completed training projects. More than $490,000 in AID project funds had not been deobligated even though the projects had ended.

Fiscal management deficiencies had been identified by a prior OIG audit and an Office of Finance and Management review. At the request of the Under Secretary for International Affairs and Commodity Programs, we began a followup audit to review the corrective actions taken by OICD on the prior audit recommendations.

FARM PROGRAMS

Farm Reorganizations Used to Circumvent Payment Limitation Provisions

We have continued our review of farm reorganizations undertaken to circumvent payments limitations under production adjustment programs. We continue to find numerous instances of such reorganizations in spite of efforts by the Omnibus Reconciliation Act of 1987 to close loopholes. We statistically projected that 1,832 producers were not entitled to about $66 million in payments because the entities receiving the payments were not separate and distinct operations. We have recommended that the Agricultural Stabilization and Conservation Service (ASCS) should perform a cost benefit analysis to determine whether the payment limitation provisions should be continued.

Modification Needed in Implementation of Disaster Assistance Program Payments

OIG has been reviewing the efforts to implement the Disaster Assistance Act of 1988. We are auditing program compliance in eight States where producers will receive among the largest program payments. To date, we have notified ASCS of several areas where it needs to modify procedures. For example, ASCS planned to make disaster payments to hybrid seed producers based on the much higher yields associated with normal field crops. We questioned this arrangement and estimated that savings of approximately $144 million would be realized if

ASCS utilized active hybrid seed yields when computing deficiency payments to producers. In addition, if the market price for seed was used to determine the eligibility or need for deficiency payments, we estimated an additional annual savings of $170 million.

Controls Over the Computation of National Average Market Prices

The National Agricultural Statistics Service (NASS) calculates national average market prices for all commodities used by ASCS to determine the amount of deficiency payments made to farmers participating in farm programs. We reviewed the calculations for wheat, cotton, barley, and oats and identified errors (i.e., rounding and transposition) at three State statistical offices resulting in potential overdisbursements of ASCS cotton deficiency payments totaling $5.8 million. The offices did not always follow established controls to ensure the accuracy of price summaries and written procedures did not exist to verify data received by statisticians over the phone. In addition, NASS did not have documented procedures or controls over the computation of the average market prices at the national level. NASS agreed that controls over the computation of average market prices needed strengthening and took corrective action to establish procedures to ensure accurate computations.

Internal Control Measures Over Commodity Loan Security Not Always Implemented

We reviewed commodity loans in 27 randomly selected county offices in five States accounting for about 60 percent of the outstanding commodity loans nationwide. ASCS had not implemented procedures to assure required spot checks were performed, collateral shortages were handled properly, or loans open after maturity were serviced adequately. Our onsite inspections disclosed that collateral for 267 of the 1,048 loans was either missing or in danger of going out of condition. Based on the sample results, we projected that in the five States audited over 398 million bushels valued at $972 million may be missing or in danger of going out of condition.

INSURANCE

We recently completed audits of Federal Crop Insurance Corporation (FCIC) claims in which statistical sampling techniques were used to evaluate the extent of errors made by both reinsured companies and FCIC. We randomly selected a sample of 1988 corn, wheat and soybean claims, the three crops historically accounting for about 70 percent of all indemnities paid by FCIC. Based on our audit results, we estimated that 71 percent of the claims had errors affecting the claim amount and 13 percent of the indemnities were overpaid. Of a total of 106,027 claims totaling approximately $699 million, we estimated 67,661 claims were overpaid $90.9 million and 7,081 claims were underpaid $1.6 million. Both FCIC and the reinsured companies made errors in determining production, units, yields, shares, and acreage because agents and adjusters did not follow published regulations, or in some cases because the regulations were permissive and not precise.

DIRECT AND GUARANTEED LOANS

Debt Restructuring Control Weaknesses Noted In Implementation

The Agricultural Credit Act of 1987 established the debt restructuring program, wherein seriously delinquent borrowers could gain relief through write-down or write-off and continue their farming operation. The Farmers Home Administration (FmHA) estimates losses from the program to total about $8.7 billion.

We have reviewed and monitored the development and preliminary implementation of the debt restructuring provisions. A series of reports were issued on critical areas warranting immediate management action to preclude potential large dollar losses as program activity increases. Our recommendations have addressed the following problems:

- FmHA had not obtained current financial statements from all individuals of partnerships or corporations who signed the original promissory notes. This could allow some borrowers to escape their personal liabilities for the written-off debts.

- County offices had a high error rate in entering data into the Debt and Loan Restructuring System (DALR$), a software system developed to assist county offices in determining the amount of debt to be restructured. The result was incorrect debt restructuring decisions. For example, in one case we found 18 errors on an approved debt write-down request; by correcting these errors, FmHA reduced the amount of the debt write-down by $238,000.

- County offices made inconsistent decisions regarding the need to rerun DALR$ when the actual date of loan restructuring differed from the proposed date. The proposed date is used to determine the amount of accrued interest and to support the offer to the borrower. Changes in the dates may result in incorrect accrued interest and debt restructuring decisions.

- FmHA needed to strengthen existing procedures to ensure that borrowers' Farm and Home Plans were reviewed in a consistent manner and adequately supported. Some county offices did not obtain needed information to verify the data on the Farm and Home Plan, while other county offices did not perform adequate reviews of the information reported. For example, one borrower, whose Farm and Home Plan contained understated commodity prices and income, was approved for a debt write-down of $178,000. Based on our audit, the borrower did not qualify for any debt write-downs.

- FmHA needed to promptly act to close a legal loophole that permitted borrowers who had illegally converted security property to participate in the net recovery buyout option. Borrowers were permitted to buy back their loan note for an amount which was approximate to the current value of security, with the remainder written off. We found one case where a borrower satisfied a $160,000 obligation with a payment of only $48,000. This borrower was suspected of improperly disposing of $27,000 in collateral.

FmHA has implemented, or is in the process of implementing, all of our recommendations.

Cash and Debt Management Practices Need Strengthening

We conducted an audit of FmHA's cash and debt management activities in nine States and 45 county offices to determine the adequacy of internal controls in both the program and administrative areas. Our audit covered administrative payments, county office collections and disbursement of loan funds, and debt management issues relating to release of borrower liability, loan applicant prescreening, and recovery of interest credit assistance. We noted several significant issues:

- An effective policy is needed to minimize losses from Rural Housing (RH) borrowers who abandon or convey their security properties. Over $75 million in losses were incurred in one year on sales of acquired properties in the nine States included in our sample ($223 million nationwide). We estimate that over 5,000 borrowers were released from liability of about $53.6 million even though properties were not maintained, other loan covenants were not met, and/or borrowers had potential repayment ability. We found that FmHA did not consider the cost/benefit or deterrent effect of pursuing collection actions. In addition, wage matching with State Employment Security agencies was not used to identify unreported income.

- Prescreening loan applicants for prior defaults was not effective. Loans totaling $3.5 million were made to borrowers in the nine States even though these borrowers had defaulted on previous loans of $3.9 million. Losses of over $3 million were incurred nationwide on loans made to borrowers with prior defaults.

In response to the report, FmHA generally agreed with the need for corrective actions.

Legislation is Sought to Correct Capitalization Concept in the Food Security Act of 1985

In accordance with the Food Security Act of 1985, when FmHA acquires farm properties through voluntary conveyance or foreclosure, it may resell them to former owners under a preference established in the Act, or it may sell them to third parties, if the former owners did not exercise their preference. Properties sold to third parties are offered at market value; properties sold to former owners are offered at the lower of market value or "capitalization value." Capitalization value is based on the estimated income-producing capability of the operation and may be less than the market value (determined through comparable sales).

As in a prior audit, we recently found properties had been acquired at their capitalization values by the former owners where the capitalization value was less than market value. The former borrowers then resold the properties to third parties at the market value. If FmHA had sold the properties directly to the third parties, it could have realized the market value of the properties and not provided a means by which nonprogram participants could acquire property at less than market prices.

Legislation has been proposed that would prohibit borrowers who reacquire farm property under a preference from disposing of it for a period of two years. We support this legislation and believe it will significantly limit the incentive to participate in the type of program abuse.

Cut-off of Interest Accrual on Delinquent Guaranteed Loans is Needed

FmHA provides financial assistance to borrowers by guaranteeing loans made by most commercial lending agencies. FmHA reimburses the lender for the agreed-upon percent of principal plus any accrued interest whenever the lender sustains a loss. Currently, interest continues to accrue on the borrower's unpaid principals until the lender submits a final loss report. Regulations governing the Business and Industry, Economic Emergency, and Rural Housing programs do not specify how soon after the borrower defaults that the lending agencies must submit final loss reports. We recommended that FmHA require lending agencies to file estimated loss reports within 90 days of default and pay its share of the note based upon that estimate. FmHA could save over $8.3 million annually by avoiding unnecessary interest charges on defaulted guaranteed loans by paying on the estimated loss reports.

FmHA agreed that guaranteed loans interest accrual on a delinquent loan should be limited to a specified timeframe. Further, FmHA plans to propose regulatory changes to limit interest accrual on all types of delinquent guaranteed loans.

Mortgage Violations By REA Borrower Disclosed

At the Rural Electrification Administration's (REA) request, we performed a review of one telephone borrower because of concerns of questionable financial transactions. Our audit disclosed that the company, which had an outstanding loan from REA of about $930,000, had violated its mortgage covenants by paying the company's vice president (the spouse of the president) about $122,000 for unsubstantiated purchases of stock investments in which the title had never been transferred to the company. It had also not maintained adequate documentation to support highly questionable executive expenditures totaling about $170,000. Because the company did not respond to our requests for records concerning these transactions, we issued two subpoenas to obtain the records. In response to our second subpoena, the president of the company signed a certificate of compliance that the documentation we requested did not exist. We recommended that REA require reimbursement for all questionable or unsupported transactions. In response, the agency agreed and also indicated it would provide the Internal Revenue Service with a copy of our audit report for its examination.

FOREST SERVICE (FS)

Timber Theft Remains a Problem in the Northwest

We conducted an audit to determine the extent of timber theft on National Forest lands in the Pacific Northwest Region and to assess the effectiveness of the Region's controls to detect and prevent illegal logging.

The Region's system of controls had not detected or prevented timber theft effectively. During the period 1986 through 1988, prosecutors filed criminal charges for seven major timber theft cases that had an impact on nine of the Region's 19 National Forests. Estimated losses to the Government for these cases were as much as $5.3 million.

Recognizing the need to strengthen controls, the Region issued short-term and long-term timber theft prevention plans in 1988. These plans have not yet been fully implemented. We concluded that plans should be enhanced in the following areas:

- Workloads appear excessive for Sale Administrators (SAs), who are responsible for day-to-day monitoring of timber sale activities. This increases the likelihood that significant theft activity would not be detected in a timely manner.
- SAs and law enforcement staff regularly check trucks on haul routes between sale sites and "scaling" locations where logs are measured to determine the volume chargeable to the purchaser. We found that truck check reports were not summarized or recorded adequately. As a result, forest supervisors may not have been aware of purchasers or loggers who avoided truck checks routinely or of problems identified during the checks that may have indicated timber theft.
- FS and regional procedures did not provide clear direction for determining when individual incidents of unauthorized cutting or removal of National Forest timber warranted referral to law enforcement. Additionally, the Region did not have a tracking and reporting system to identify behavior patterns which indicated illegal activity.
- The Region revised its long-term timber theft prevention plan in July 1989. The Region originally planned to stop authorizing after-hours log deliveries (i.e., when scalers were not onsite). The revised plan, however, would allow such deliveries when the purchaser and contracting officer agree to security provisions. In our opinion, this revision could result in an excessively permissive policy and inadequate security at some locations.

The Forest Service agreed with our recommendations in these areas.

Lack of Controls Noted Over Accounting Adjustments

A followup to our prior audit of FS prior years' unliquidated obligations disclosed continuing problems with fund transfers and related accounting adjustments. Fund transfers represent the reclassification of financial events from one account to another. Unless adequately controlled, accounts may be adjusted resulting in unauthorized transfers between appropriations and/or between Fiscal Years' appropriations, in violation of the Antideficiency Act. We found that the FS's fund transfers were not always properly documented and voucher recertifications performed by FS personnel were of questionable reliability. Our audit at three FS accounting centers included an evaluation of all accounting adjustments exceeding $5,000 that involved transfers between Fiscal Years or appropriations and all adjustment or payment voucher recertifications.

Our review of 187 adjustment vouchers disclosed that 48 (25.7 percent) did not have adequate supporting documentation as required by FS procedures. Consequently, we were unable to determine whether these adjustments complied with the applicable appropriation law. These 48 vouchers represented $6.31 million (51.5 percent) of the total dollar value ($12.3 million) of the vouchers reviewed.

We recommended that the FS improve its documentation of accounting adjustments, and improve the voucher recertification process. FS officials expressed general agreement with our findings and recommendations. We continue to work with the FS on this matter.

MARKET DEVELOPMENT

Export Enhancement Program

The Export Enhancement Program provides subsidies to U.S. commodity exporters enabling them to sell at reduced prices, competitive with those offered by foreign exporters, particularly the European Economic Community. Our audit disclosed that the Foreign Agricultural Service (FAS) had not conducted a comprehensive analysis to determine the overall effectiveness of the program. Also, FAS had no written procedures for identifying countries or commodities that should be in the program.

We questioned the $151 million of transportation bonus payments representing the difference between U.S. shipping costs and those incurred by the European community for similar commodities. It was not clear from the authorizing legislation if the subsidy was appropriate. In addition, we questioned FAS's method for calculating world prices and related bonus payments of $89.9 million.

Foreign Commodities Guaranteed Under the Export Credit Guarantee Program

The Export Credit Guarantee Program of FAS guarantees repayment of credit extended to eligible foreign buyers of U.S. agricultural commodities. Our audit identified $169 million in exports which included commodities of foreign origin. The main cause for the inclusion of these exports in the GSM 102/103 sales guarantees was misstatements made by U.S. exporters. Specifically, some exporters declared that 100 percent of the commodities were of U.S. origin when a portion was actually produced in a foreign country. For example, we found that tobacco companies consistently blended foreign tobacco with domestic tobacco and exported the mixture as "U.S. Origin."

We also identified where FAS could improve its management by more clearly defining commodity eligibility, establishing a review system and enforcing program regulations.

Current legislation allows U.S. exporters to claim customs duty drawbacks on imports of agricultural commodities. The drawback provision encourages the importation of foreign commodities which displace U.S. domestic production. We are recommending a change in legislation that would prohibit exporters from claiming duty drawbacks if they are participating in the various FAS export programs.

PROCUREMENTS AND CONTRACTS

Audits of Contracts

OIG audits of contracts are performed to assist USDA procurement offices in the negotiation, administration, and settlement of USDA contracts and subcontracts. OIG performed or arranged for audits of 32 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than $7.1 million. Also, during FY 1989, management decisions were made on 29 contract audits, resulting in savings of about $5.3 million.

INVESTIGATIONS ACCOMPLISHMENTS

FARMERS [illegible] ADMINISTRATION

In Fiscal Year 1989, OIG issued 195 reports of investigation of FmHA programs and operations. Monetary results for FmHA exceeded $9.3 million and included $2.6 million in recoveries/collections; $194,000 in fines; $2.3 million in restitutions; claims established in excess of $1.2 million and costs avoided of $3 million. Examples of these cases are set forth below:

o A businessman and his construction company both pled guilty to making false statements to FmHA in connection with falsified or altered well water test results for rural single-family houses. Water tests conducted during the investigation determined that 58 of the 60 FmHA-financed houses built by the construction company failed State and Federal health standards. The businessman was sentenced to six months in prison, fined $5,000, ordered to pay $3,770 to FmHA for the cost of retesting the water during the investigation, and ordered to install water purification and filtration systems in all 58 houses. The construction company was also fined $40,000.

o A FmHA county supervisor in California whose job included loan approval was sentenced to five years in prison after she pled guilty to bribery and conspiracy. Two other persons were sentenced to prison terms of one and eight years after pleading guilty to conspiracy and bribery. One of the defendants was also ordered to pay restitution of $106,000. An OIG investigation disclosed that bribes exceeding $100,000 were paid over a three-year period to the county supervisor in return for the improper granting of FmHA-financed loans and the preferential treatment of applications for rural housing subdivisions. During the investigation, the county supervisor resigned from FmHA. Also, as a result of the investigation, FmHA debarred four individuals and two related companies from participation in FmHA programs for a period of two to three years.

o A FmHA county supervisor in North Carolina was sentenced to four years in prison and ordered to pay over $52,000 in fines and restitution after he pled guilty to embezzlement and conflict of interest. He admitted to having traded the equity in two FmHA-owned houses and $4,000 to a car dealer in exchange for a Porsche automobile valued at $32,000. He has since resigned from FmHA.

o In Tennessee, a Rural Rental Housing developer and a subcontractor pled guilty to diverting more than $237,000 in FmHA RRH loan proceeds in order to build a private apartment complex. The developer was sentenced to one year in prison, fined $50,000, and placed on three years probation. The subcontractor was sentenced to one year in prison, fined $10,000, and placed on three years probation. The court also ordered the developer to sell the complex and remit the proceeds to FmHA as partial restitution for the diverted loan funds.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (ASCS)

In Fiscal Year 1989, OIG issued 114 reports of investigations for ASCS with monetary results totaling more than $5.9 million. Included in this amount were claims established of $1.3 million; recoveries/collections of $1.3 million; restitutions exceeding $1 million; fines of over $128,000 and costs avoided in excess of $2.2 milllion. The following are some examples of these cases:

- After pleading guilty to various charges of theft, a farmer in Illinois was sentenced to six months in prison, fined $10,000, ordered to pay $608,000 in restitution, and placed on 30 months probation, during which time he will be prohibited from participating in any USDA programs. The farmer admitted that he sold approximately 150,000 bushels of corn, wheat, and soybeans which were pledged as collateral for approximately $550,000 in CCC loans. He further admitted that he sold some of the grain in his son's name and forged his son's name on the checks received as payment.

- A partner in a southeast Missouri farming partnership was sentenced to 30 months in prison and fined $10,000 for providing false information to ASCS in order to evade the $50,000 per year payment limitation. The partnership improperly obtained farm program payments and CCC loans totaling approximately $717,000. The partners evaded the payment limitation by using employees and associates to conceal their interest in various farming operations.

FEDERAL CROP INSURANCE CORPORATION (FCIC)

In Fiscal Year 1989, OIG issued 25 reports of investigations for FCIC with monetary results in excess of $14.2 million. Included in this amount were $12.5 million in recoveries/collections; over $1 million in claims established; restitutions in excess of $562,000; and $70,000 in fines. A summary of one of our investigations is detailed as follows:

- An investigation of a reinsured company disclosed that officers of the company falsified documents submitted to FCIC in order to avoid paying FCIC collected insurance premiums when they were due. At the time our investigation began, the company had withheld over $12.5 million in premiums collected. During our investigation, the company paid the money owed to FCIC. Because the company paid the $12.5 million, the U.S. Department of Justice declined criminal prosecution.

FOOD AND NUTRITION SERVICE (FNS)

In Fiscal Year 1989, OIG issued 805 reports of investigations in FNS programs, including 729 related to the Food Stamp Program. Overall monetary results exceeded $5.7 million, which included almost $4 million in claims established; fines in excess of $478,000; over $342,000 in restitution; and recoveries/collections of more than $919,000. The following are examples of these cases:

- Information developed during a food stamp trafficking investigation in Missouri led to the discovery of three drug laboratories in southern California. During a search of the laboratories by OIG, the Drug Enforcement Administration, and local police, 40 gallons of PCP and chemicals sufficient to produce another 600 gallons were seized. Six persons subsequently pled guilty to charges ranging from unauthorized possession of food stamps to distribution of PCP. One of the defendants was sentenced to 18 months in prison. The other five received prison sentences ranging from 5 to 27 years.

- In New York, ten New York City government employees and five retail grocers were indicted on charges of food stamp trafficking, conspiracy, and aiding and abetting. The fifteen individuals were charged with purchasing over $220,000 in food stamps for cash. Thirteen of the defendants subsequently pled guilty. Seven were sentenced to prison; the others were placed on three years probation. All city government employees resigned or were fired by the city government.

- In California, a grocery store owner and his wife pled guilty to fraudulently redeeming approximately $1.6 million in food stamps in 1987 and 1988. During the arrest of the defendants, we found that the store owner and his wife possessed approximately 263 plastic issuance cards, 275 food stamp identification cards, 115 Social Security cards, and 18 California driver's licenses. Sentencing is pending.

AGRICULTURAL MARKETING SERVICE (AMS)

In Fiscal Year 1989, OIG issued 23 reports of investigations for AMS. The following are examples of these cases:

- A cheese manufacturing company in South Dakota and its president were each fined $200,000 after they were convicted for conspiracy to defraud the government by adding calcium caseinate to mozzarella cheese which was being purchased by the Commodity Credit Corporation. Subsequent to the sentencing, the company was fined an additional $115,000 for failing to comply with a grand jury subpoena issued during our investigation.

- A Wisconsin creamery and two of its employees were fined a total of $180,000 and ordered to pay restitution of over $1 million after they pled guilty to short-weighting CCC-owned butter in the course of repackaging, under contract, bulk blocks into one pound cubes. One of the defendants was also sentenced to three years in prison. The three defendants were also debarred from performing butter reprocessing contracts with the U.S. Government for a period of one to two years.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

In Fiscal Year 1989, OIG issued 62 reports of investigations for FSIS. The following is an example of these cases:

- As a result of an investigation in Missouri, the owner of a meat packing company pled guilty to conspiracy and obstruction of justice. The owner was cited for conspiring with an employee to put false information on seven company sales invoices relating to the sale and delivery of uninspected cattle carcasses. The owner was also cited for obstruction of justice because the false invoices were presented to our agents in response to a grand jury subpoena. The owner was fined $120,000 and placed on two years probation.

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